

(29,335)

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1923.

No. 192.

CHICAGO GREAT WESTERN RAILWAY COMPANY,
APPELLANT,

vs.

NATHAN E. KENDALL, GOVERNOR OF THE STATE OF
IOWA; WALTER C. RAMSAY, SECRETARY OF STATE OF
IOWA; GLENN C. HAYNES, AUDITOR OF THE STATE OF
IOWA, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR
THE SOUTHERN DISTRICT OF IOWA.

INDEX.

	Original.	Print.
Record from U. S. district court for the southern district of Iowa	1	1
Citation and service.....	1	1
Caption	3	2
Bill of complaint.....	4	2
Order for temporary restraining order.....	23	12
Supplemental bill of complaint.....	26	13
Resistance	29	14
Memorandum opinion per curiam.....	41	20
Petition for appeal.....	51	26
Assignment of errors.....	54	27
Order denying injunction; dissolving temporary restraining order; allowing appeal and supersedeas.....	62	30
Bond on appeal..... (omitted in printing) ..	67	32
Supersedeas bond.....	71	33

	Original.	Page.
Restraining order by three judges.....	74	34
Petition for enlargement of time.....	78	35
Order enlarging time.....	82	36
Stay bond.....	84	36
Stipulation and precept for transcript.....	87	38
Order re exhibits.....	91	39
Clerk's certificate.....	92	39
Complainant's Exhibit No. 1—Extracts from report of special tax commission, 1912.....	93	40
Complainant's Exhibit No. 2 Department of Commerce Bulletin entitled "Agriculture: Iowa," 1920.....	216	63
Complainant's Exhibit No. 3 Department of Agriculture Bulletin No. 874 entitled "Farm-land Values in Iowa," 1920.....	290	78
Complainant's Exhibit No. 4 Affidavit of A. H. Davison.....	320	82
Exhibit A to Davison's Affidavit—Abstract of land val- uations and transfers.....	340	84
Exhibit B to Davison's Affidavit—Statistical table.....	341	84
Exhibit C to Davison's Affidavit—Adjusted valuation of land.....	345	87
Complainant's Exhibit No. 5 Affidavit of T. A. Polleys.....	346	88
Exhibits Nos. 1 to 6 to Polleys' Affidavit—Tables show- ing estimated true values of Iowa lands.....	349	90
Complainant's Exhibit No. 6 Affidavit of T. A. Polleys.....	356	102
Exhibit 1 to Polleys' Affidavit—Plot of location of 1920 1921 land sales.....	358	102
Complainant's Exhibit No. 7 Affidavit of W. L. Harding.....	360	103
Complainant's Exhibit No. 8 Affidavit of Frank S. Shaw.....	362	104
Complainant's Exhibit No. 9 Affidavit of E. H. Hoyt.....	364	105
Complainant's Exhibit No. 10 Affidavit of A. B. Howland.....	366	106
Exhibits A, B, and C to Howland's Affidavit—Tables showing assessment figures in Iowa by counties.....	368	108
Complainant's Exhibit No. 13 Stipulation as to average values of farm lands in Iowa.....	374	111
Complainant's Exhibit No. 14 Affidavit of M. E. Keenan.....	375	115
Complainant's Exhibit No. 19 Affidavit of W. C. Harvey.....	395	127
Complainant's Exhibit No. 20 Affidavit of M. E. Keenan.....	399	129
Defendants' Exhibits B 1 to B 12, Inclusive—Classified as assessment statistics, 1913-1922.....	402	130
Defendants' Exhibit H—Compilation of expenditures for road, equipment, and general expenses of Chicago Great Western R. R. Co., 1914-1920.....	414	137
Defendants' Exhibit J—Consolidated table showing entire line, operating revenues, and expenses of various railroad companies.....	416	137
Defendants' Exhibit L—Table showing average operating ratio of all lines reporting to Iowa R. R. Commission, 1910-1921.....	418	138
Defendants' Exhibit M—Table showing assessed value of Chicago Great Western Ry., 1913-1922.....	419	138

INDEX.

iii

	Original.	Print.
Defendants' Exhibit N—Affidavit of C. B. Ellis.....	420	139
Exhibit 1 to Ellis' Affidavit—Table showing reproduction cost less depreciation of physical property of C. G. W. R. R. Co. on June 30, 1916.....	423	141
Exhibit 2 to Ellis' Affidavit—Table showing total investment in road and equipment for additions, etc., 1916-1921.....	424½	143
Exhibit 3 to Ellis' Affidavit—Table showing value of physical property of C. G. W. R. R. Co. in Iowa on December 31, 1921.....	425	143
Defendants' Exhibit O—Affidavit of Clifford Thorne.....	426	144
Exhibit A to Thorne's Affidavit—Tables showing net income of C. G. W. R. R. Co., 1912-1921.....	431	147
Exhibit B to Thorne's Affidavit—Table showing investment in road and equipment.....	432	147
Exhibit C to Thorne's Affidavit—Appraisal of physical property of C. G. W. R. R. Co. by I. C. C. in ex parte 74.....	435	148
Exhibit D to Thorne's Affidavit—Table showing appraisal of physical property.....	437	150
Exhibit E to Thorne's Affidavit—Outline of Michigan method of appraisal of non-physical values.....	445	157
Exhibits F, G, and H to Thorne's Affidavit—Valuation tables of C. G. W. R. R. Co.....	463	175
Defendants' Exhibit R—Table of value of C. G. W. R. R. Co. for taxation purposes in Iowa.....	467	177
Defendants' Exhibit S—Affidavit of E. Mac Sweeney.....	470	178
Defendants' Exhibit T—Statistical table.....	471	179
Defendants' Exhibits V-1 and V-2—Statistical tables.....	473	179
Defendants' Exhibit W—Affidavit of E. G. Nourse.....	475	180
Exhibit A to Nourse's Affidavit—Table showing general financial statement of cash-rented farms in Iowa.....	482	184
Exhibit B to Nourse's Affidavit—Table showing general financial statement of share-rented farms in Iowa.....	483	183
Exhibit C to Nourse's Affidavit—Table showing general financial statement of owner farms in Iowa.....	484	187
Exhibit D to Nourse's Affidavit—Table of aggregate accounts of farm operation on 18 Iowa farms.....	485	188
Exhibit E to Nourse's Affidavit—Table of aggregate accounts of operations on 23 Iowa farms.....	487	189
Defendants' Exhibit P—Annual report of C. G. W. R. R. Co. to executive council of Iowa, December 31, 1921.....	488	190
Defendants' Exhibit Q—Additional annual report of C. G. W. R. R. Co. to executive council of Iowa, December 31, 1921.....	504	195
Statement of points to be relied upon and designation of parts of record to be printed with notice and proof of service.....	528	206

[fol. 1]

[File Endorsement Omitted]

IN THE
**DISTRICT COURT OF THE UNITED STATES, SOUTHERN
 DISTRICT OF IOWA, CENTRAL DIVISION**

In Equity. No. 4196

THE CHICAGO, GREAT WESTERN RAILROAD COMPANY, Complainant,
 vs.

NATHAN E. KENDALL, Governor of the State of Iowa; WALTER C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa; W. J. Burbank, Treasurer of State of Iowa, Individually and as Members of the Executive Council of the State of Iowa, and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa and Individually, Defendants.

CITATION AND SERVICE—Filed November 10, 1922

THE UNITED STATES OF AMERICA, *ss.*:

The President of the United States to the above-named defendants, Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa; W. J. Burbank, Treasurer of State of Iowa, individually and as members of the Executive Council of the State of Iowa, and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa and individually, and their attorneys, and to Ben J. Gibson, Attorney General of the State of Iowa, E. J. Flick, and J. H. Henderson, their attorneys, Greeting:

You are hereby cited and admonished to be and appear at and before the Supreme Court of the United States at Washington, D. C. within thirty (30) days from the date hereof, pursuant to appeal filed in the Clerk's office of the District Court of the United States for the Southern District of Iowa, Central Division, wherein The Chicago, Great Western Railroad Company is complainant, and Nathan E. Kendall, Governor of the State of Iowa; Walter [fol. 2] C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa; W. J. Burbank, Treasurer of State of Iowa, individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson as Secretary of the Executive Council of the State of Iowa, and individually, are defendants, to show cause, of any there be, why the judgment in such appeal mentioned be not corrected and speedy justice should not be done in their behalf.

Witness the Honorable Martin J. Wade, Justice of the District Court of the United States for the Southern District of Iowa, Central Division, this 10th day of November, 1922.

Martin J. Wade, United States District Judge, Southern District of Iowa, Central Division.

Service of the within Citation and receipt of copy thereof admitted this 11th day of November, 1922.

Ben J. Gibson, Solicitor for Appellee.

[fol. 3]

CAPTION

Pleas and proceedings before the Honorable Martin J. Wade, Judge of the District Court of the United States for the Southern District of Iowa, in a cause pending in said court wherein the Chicago, Great Western Railroad Company is complainant and Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of the State of Iowa; Glenn C. Haynes, Auditor of State of the State of Iowa; W. J. Burbank, Treasurer of State of the State of Iowa, individually and as members of the Executive Council of the State of Iowa, and R. E. Johnson, Secretary of the Executive Council of the State of Iowa, and individually, are defendants, being numbered 1196, Equity, Central Division.

Be it remembered that on the 26th day of July, A. D. 1922, a bill of complaint was filed in the case of the Chicago, Great Western Railroad Company vs. Nathan E. Kendall, Governor of the State of Iowa, et al., in said Court at Des Moines, Iowa, which said bill of complaint is in words and figures as follows:

[fol. 4] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

BILL OF COMPLAINT—Filed July 26, 1922

To the Honorable Judge of the District Court of the United States in and for the Southern District of Iowa:

The Chicago Great Western Railroad Company, Complainant, a corporation created and organized under and by virtue of the laws of the State of Illinois, having its principal place of business at Chicago in Cook County in the State of Illinois, brings this, its Bill of Complaint, against Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of the State of Iowa; Glenn C. Haynes, Auditor of State of the State of Iowa; W. J. Burbank, Treasurer of State of the State of Iowa; individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson, individually and as Secretary of the Executive Council of

[fol. 5] the State of Iowa, as defendants; and thereupon complainant states:

Par. 1. That the Chicago Great Western Railroad Company is a corporation for pecuniary profit, duly organized and existing under and by virtue of the laws of the State of Illinois.

Par. 2. That the defendant, Nathan E. Kendall, is a citizen and resident of the State of Iowa and of the Southern District thereof and occupies the position of Governor of said State; that the defendant, Walter C. Ramsay, is a citizen of the State of Iowa and resides in Des Moines, Polk County, Iowa, and occupies the position of Secretary of State of the State of Iowa; that the defendant, Glenn C. Haynes, is a citizen of the State of Iowa and resides in Des Moines in Polk County, Iowa, and occupies the position of Auditor of State of the State of Iowa; that the defendant W. J. Burbank, is a citizen of the State of Iowa and resides in the City of Des Moines, Polk County, Iowa, and occupies the position of Treasurer of State of the State of Iowa; that the defendant R. E. Johnson is a citizen of the State of Iowa and resides in the City of Des Moines, Polk County, Iowa, and occupies the position of Secretary of the Executive Council of the State of Iowa.

That the said defendants, Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes, and W. J. Burbank constitute, under the laws of the State of Iowa, the Executive Council of the State of Iowa.

Par. 3. That the matter in controversy herein exceeds, exclusive of interest and costs, the sum or value of Three Thousand (\$3,000.00) Dollars.

[fol. 6] Par. 4. That this is a suit of a civil nature in equity between citizens of different States, to enjoin the attempted assessment of the property devoted to railroad purposes of the complainant in the State of Iowa at a rate and upon a basis greater than the assessment of other classes of property subjected to taxation in the State of Iowa, and arises under the Constitution of the United States and especially under the Fourteenth Amendment thereto, providing that no state shall deprive any person of his property without due process of law nor deny to any person the equal protection of the laws.

Par. 5. That the complainant owns, operates and maintains a system of railroad in the State of Iowa as a part of its system of railroad in the States of Iowa, Illinois, Minnesota and other States of the Union, and is engaged in the business of a common carrier of freight and passengers for hire and as such is subject to the laws of the State of Iowa and of the United States in such cases made and provided.

Par. 6. That it is provided in and by Section 6 of Article 1 of the Constitution of the State of Iowa that "all laws of a general nature shall have a uniform operation; the general assembly shall not grant to any citizen or class of citizens, privileges or immunities, which upon the same terms shall not equally belong to all citizens."

It is also provided by Section 2 of Article 8 of the Constitution of Iowa that "the property of all corporations for pecuniary profit shall be subject to taxation the same as that of individuals."

[fol. 7] Par. 7. That by the terms of Chapter 7, Title II, of the Code of Iowa, as amended, the Governor, Secretary of State, Auditor, and Treasurer of State constitute the Executive Council; and any three of them shall constitute a quorum. No deputy of either of such officers shall act in said Council for his principal; that the Executive Council shall choose a Secretary to hold office during its pleasure and the Secretary shall keep a journal, in which shall be entered all the doings of the Council.

Par. 8. That in and by Section 1305 of the Code of Iowa, as amended, it is provided:

"All property subject to taxation shall be valued at its actual value, which shall be entered opposite each item, and shall be assessed at twenty-five per cent of such actual value. Such assessed value shall be taken and considered as the taxable value of such property, upon which the levy shall be made. Actual value of property as used in this chapter shall mean its value in the market in the ordinary course of trade."

And by Section 1334, *a*, *b*, and *c*, of the Supplement to the Code of Iowa, 1913, it is provided as follows:

"Each railway or other corporation required by law to report to the executive council under the provisions of the law as it appears in section thirteen hundred thirty-four of the supplement to the code shall, on or before the first day of April, nineteen hundred and five, make to the executive council a detailed statement showing the amount of real estate owned or used by it on December thirty-first, nineteen hundred and four, for railway purposes, in each county, in the state in which said real estate is situated, including the right of way, roadbed, bridges, culverts, depot grounds, station buildings, yards, section and tool houses, roundhouses, machine and repair shops, water tanks, turntables, gravel beds and stone quarries, and for all other purposes, with the estimated actual value thereof, in such manner as may be required by the executive council. Only one such [fol. 8] detailed statement by any corporation shall be necessary, and when received by the council it shall become the record of railway lands of such corporation, and be deemed as annually thereafter reported for valuation and assessment by the executive council. On or before the first day of April of each subsequent year such corporation shall in like manner report all real estate acquired for any of the railway purposes above named during the preceding calendar year; and also a list of any real estate, previously reported, disposed of during the same period, which disposition shall be noted by the council in an appropriate column opposite to the description of said tract in the original report of the same in the record of railway land."

"The executive council shall, by some convenient method of binding, arrange the statements required to be made under the provisions of the preceding section so as to form a consolidated list of all real estate reported to it as being owned or used for railway purposes within the state of Iowa, which list shall be known as the record of railway lands."

"Subsection three of the law as it appears in section thirteen hundred thirty-four of the supplement to the code (1902) and all other statutes or parts of statutes in conflict herewith are hereby repealed."

That by Sections 1335 and 1336 of the Code of Iowa, it is provided as follows:

"There shall not be included in said operating expenses any payments for interest or discount, or construction of new tracks except needed sidings, for raising or lowering tracks above or below crossings at grade in cities or towns, for new equipment except replacements, for reducing any bonded or permanent debt, nor for any other item of operating expenses not fairly and reasonably chargeable as such in railway accounts. The council may demand, in writing, detailed, explanatory, and amended statements of any of the items mentioned in the preceding section, or any other items deemed by it important, to be furnished it by such railway corporation within thirty days from such demand, in such form as it may designate, which shall be verified as required for the original statement. The returns, both original and amended, shall show such other facts as the council, in writing, shall require."

"The said property shall be valued at its actual value, and the assessments shall be made upon the taxable value of the entire railway within the state, except as otherwise provided, and shall include the right of way, roadbed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, [fol. 9] real and personal, exclusively used in the operation of such railway. In assessing said railway and its equipments, said council shall take into consideration the gross earnings per mile for the year ending January first, preceding, and any and all other matters necessary to enable said council to make a just and equitable assessment of said railway property. If a part of any railway is without this state, then, in estimating the value of its rolling stock and movable property, they shall take into consideration the proportion which the business of that part of the railway lying within the state bears to the business of the railway without this state."

That in and by Section 1337 of the Supplement to the Code of Iowa, as amended, it is provided as follows:

"On or before the third Monday in August of each year, the council shall transmit to the county auditor of each county, through and into which any railway may extend, a statement showing the length of the main track within the county, and the assessed value per mile of the same, as fixed by a ratable distribution per mile of the assessed valuation of the whole property."

That in and by Section 1378 of the Supplement to the Code of Iowa, 1913, it is provided as follows:

"The executive council shall constitute the state board of review, and shall meet at the seat of government on the second Monday of July in each year. The auditor of state shall lay before it the ab-

tracts transmitted to him by the auditor, as required by the preceding section."

That in and by Section 1379 of the Code of Iowa it is provided as follows:

"It shall adjust the valuation of property of the several counties, adding to or deducting from the valuation of each kind or class of property such percentage in each case as will bring the same to its taxable value as fixed in this chapter."

[fol. 10] And in and by Section 1382 of the Supplement to the Code of Iowa, 1913, it is provided as follows:

"The board shall keep a record of its proceedings, and finish its review and adjustment on or before the third Monday of August. The county auditor shall thereupon add to or deduct from the valuation of each kind or class of property in his county the required percentage, rejecting all fractions of fifty cents or less in the result, and counting all over fifty cents as one dollar."

That in and by Section 1400 of the Supplement to the Code of Iowa, 1913, it is provided that taxes upon real estate shall be a lien thereon against all persons except the state.

Par. 9. Complainant further states that pursuant to the provisions of the said statutes of the State of Iowa and within the time and in the manner as thereby specified this complainant filed with the said Executive Council of the State of Iowa the plats and reports required to be filed by it; that on, to wit, July 10, 1922 the same being the second Monday in July of said year, pursuant to the provisions of said statutes, the said Executive Council of the State of Iowa conducted a hearing, at which time complainant, by its representatives, appeared concerning the assessment of its property subject to the jurisdiction of said Council as in said statutes prescribed and thereafter the said Executive Council of the State of Iowa gave consideration to and deliberated upon the assessment of the property of this complainant, subject to its jurisdiction, for the purposes of taxation for the year of 1922; and on, to wit July 26, 1922 did fix the assessment of the property of this complainant, subject to its jurisdiction, at the sum of Thirty Thousand Dollars (\$30,000.00) a mile on approximately 769.126 miles operated by this complainant in the State of Iowa; and this complainant is informed and believes, and therefore avers that the said Executive Council of the State of Iowa, and the said defendants who constitute the same, will, unless restrained and enjoined by the order of this Honorable Court, immediately proceed to transmit to the county auditor of each county, through and into which its railway extends, a statement showing the length of the main track within the county and the assessed value per mile of the same as fixed by ratable distribution per mile of the assessed valuation of the whole property, as aforesaid, all in accordance with the provisions of said Section 1337 of the Supplement to the Code of Iowa, as amended.

Par. 10. That it is provided in and by Section 1377 of the Code of Iowa as follows:

"Each auditor shall, on or before the third Monday in June, make out and transmit to the auditor of state an abstract of the real and personal property in his county, in which he shall set forth:

1. The number of acres of land and the aggregate actual and taxable value of the same, exclusive of town lots, returned by the assessors, as corrected by the county board of review.

2. The aggregate actual and taxable values of real estate in each township, city and town in the county, returned as corrected by the county board of review;

3. The aggregate actual and taxable value of personal property;

4. An abstract as to the number and value of all animals as the same are returned by the assessor, showing the aggregate actual and taxable values and number of each kind or class, and such other facts as may be required by the state board of review."

[fol. 12] Par. 11. And thereupon said complainant avers that at the time and in pursuance of the provisions of said sections, the said Auditor of State did lay before the said Executive Council their abstracts transmitted to him by the auditors of the various counties as in said sections prescribed; and that the said Executive Council, at the times and in pursuance to the provisions of the said statutes, did undertake to adjust the valuation of the property of the several counties by adding to or deducting from the valuation of each kind or class of property such percentage in each case as in its judgment brought the same to its taxable value as fixed in this chapter.

Par. 12. That as disclosed by said abstract so laid before the said Executive Council of the State of Iowa there was at the time of said action by the said Council in the State of Iowa and subject to assessment and taxation 31,368,516 acres of farm lands; that the aggregate assessment of such farm lands as so adjusted by the said Executive Council of the State of Iowa and as will be returned to the auditors of the various counties of the said state was \$2,612,907,216.00, or at the rate of \$76.00 per acre upon the average.

That the real value of farm lands in the state of Iowa in the market in the ordinary course of trade and also the reasonable value thereof in the year 1922 was and is in excess of Two Hundred Dollars (\$200.00) per acre, or for the aggregate value of all the acreage of such lands subject to assessment and taxation in said state in excess of the sum of \$6,873,703,200.00.

Complainant thereupon avers that by the action of the assessors [fol. 13] of the various counties of the state of Iowa as reviewed and adjusted by the said defendants so constituting the Executive Council of the State of Iowa, the value of said farm lands in said state so fixed for the purpose of assessment and from which the basic or taxable value is computed under the laws of said state in truth and in fact represents but 38 per cent of the real value of said lands determined by voluntary sales in the market in the ordinary course of trade of the same and of the reasonable value thereof. Complainant avers that

the value of farm lands in the state of Iowa constitutes and comprises a substantial proportion of the value of the entire property in the state of Iowa subject to assessment and taxation for state, county, municipal, school district and other purposes.

Par. 13. This complainant avers that the actual value of its property in the state of Iowa, used and useful for railroad purposes, in the market and in the ordinary course of trade, is approximately \$19,998,576.

That said complainant owns and operates in said State approximately seven hundred ninety-eight miles of railroad and that the value of its said property in the market and in the ordinary course of trade is therefore approximately \$26,000 per mile, and this complainant thereupon shows to this court that it is willing to and will pay taxes on such proportion of \$26,000 per mile as this court may order, pending final hearing on the injunction herein prayed for.

Par. 14. Said complainant avers that the authorities in said state [fol. 14] to whom has been delegated the authority of fixing the assessments of property for the purposes of taxation during the year 1922, and for many years prior thereto have habitually, intentionally, systematically and generally assessed farm lands as the property of individuals at a rate far under the real value of such lands in the market thereof in the usual course of trade; and under the reasonable value thereof; that such systematic assessment upon such basis is and for many years past has been a matter of public notoriety in the state; that the fact that such assessors have indulged in such habitual, intentional, systematic and general custom in so assessing farm lands at materially less than the real value thereof in the market in the usual course of trade as known to the said defendants at and prior to the time of the taking of said action by them as said Executive Council of the state of Iowa in so adjusting said assessments and in so fixing the assessment of the property of this complainant for the purpose of taxation in said state. That notwithstanding the knowledge on the part of said defendants and each of them as to such habitual, intentional, systematic and general custom on the part of the assessors with respect to the assessment of farm lands in said state, and notwithstanding the action of the said defendants so constituting the said Executive Council of said state in adjusting the assessments of farm lands as hereinbefore stated, nevertheless the said Council and the said defendants as members thereof did knowingly and intentionally, and over the protest and objections of this complainant, [fol. 15] fix its assessment at said sum of \$30,000.00 per mile, or at 115 per cent of its real value as hereinbefore averred.

Par. 15. Complainant further avers that as a result of the said habitual, intentional, systematic and general custom on the part of the assessing officers of said state with respect to the assessment of farm lands in said state and of the action of the said defendants so constituting the said Executive Council of said state, that this complainant is thereby threatened with the imposition of an undue and discriminatory portion of the tax burdens of said state, contrary to the provisions of the constitution of the state of Iowa as hereinbe-

fore alleged, and contrary to the Fourteenth Amendment to the Constitution of the United States.

Par. 16. Said complainant is informed and believes and therefore avers, that unless restrained by order of this honorable court the said defendants, or their agents and employes, will proceed immediately to certify to the auditors of the various counties in the state the said value so fixed of the property of this complainant for the purposes of taxation ratably in accordance with the mileage of the railroad of this complainant in each such county; and this complainant shows to the court that as a result of such certification, and in order to avail itself of its right under the law, it would be compelled to resort to many actions at law or in equity and would be subjected to a multiplicity of suits.

This complainant further shows to the court that the certification of such assessed value would be followed, as by the laws of said state provided, by the determination of a tax levy in each of the counties and municipal subdivisions of said state, and that upon the pre-[fol. 16] nouncement of such levies as applicable to such value so fixed by said defendants for the purpose of taxation, the title of this complainant to its property would be impressed with a cloud, and various persons would assert the existence of a lien under the laws of said state upon the property of this complainant for such tax charges so resulting from such unequal, discriminatory, inequitable and illegal assessment.

Said complainant shows to the court that it is without an adequate remedy at law in the premises and will sustain irreparable injury and damage by reason of the necessity of resorting to various and sundry actions to prevent the imposition of such wrongful and illegal charges against its property, including expenditures of money for court costs and counsel fees, as well as in other respects, unless the said defendants and each of them, who constitute the Executive Council of the state of Iowa and its secretary, their agents and employes and all persons acting by, through or under their authority or directions be restrained pending the determination of this action from certifying such value so fixed as hereinbefore alleged; and thereupon complainant charges:

First. That the action of the said defendants in so fixing as the assessed value of the property of this complainant the said sum of \$30,000.00 a mile, or said aggregate sum of \$23,073,780.00 is wholly void, in that said action is contrary to and violative of the provisions of Article VIII, Section 2, of the Constitution of Iowa, and of Sections 1305, 1334, 1335, and 1336 of the Code of Iowa as amended, all as hereinbefore set forth and averred, in that the said action of the said defendants is contrary to the express conditions contained in said provisions of said constitution of said state and said laws of said state.

[fol. 17] Second. That the said act of the said defendants in so fixing the assessment of the property of this complainant for the purpose of taxation at the sum of \$30,000.00 a mile, or the aggregate sum of \$23,073,780.00 in the State of Iowa, denies to this complain-

ant the equal protection of the laws, and is therefore contrary to and in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

Third, That if the act of the said defendants so constituting the said Executive Council of the State of Iowa in fixing the assessment of the property of this complainant for the purposes of taxation at said sum of \$30,000.00 a mile, or \$23,073,780.00 in the state of Iowa, is construed to be in accordance with said Sections 1305, 1334, 1335, 1336, 1378, 1379 and 1382 as amended, of the code of Iowa, then the said sections of the said code of Iowa as amended and each of them are unconstitutional and void, in that the said complainant is thereby subjected to pains, penalties and burdens different from and greater than other property in the state of Iowa, to wit, farm lands, as hereinbefore averred, and would be compelled to bear an unequal and inequitable and illegal proportion of the burdens of state, county and municipal taxation as hereinbefore averred, all in contravention of the provisions of the Fourteenth Amendment to the Federal Constitution.

Wherefore, and for as much as complainant is remediless in the premises, according to the common law, and remediable only in equity, and to the end that complainant may not be subjected to a multiplicity of suits, which will otherwise result, and will not suffer [fol. 18] irreparable injury and damage, and may be permitted to pursue and carry on its business without unlawful hindrances or obstructions, and that the railroad of complainant may be operated in the State of Iowa as aforesaid, and its other property therein may not be subjected to illegal liens and clouds, complainant prays that a writ of subpoena be issued against the defendants, and each and every one of them named and described, to appear and fully submit and make answer to this bill of complaint, but not under oath, answer under oath being expressly waived, and,

That the said defendants, and each and every one of them, their agents, servants and employes, and all other persons acting under or through their authority, or authority of their offices, respectively be enjoined by final decree, and, meanwhile, by preliminary injunction, as follows, to wit:

That the said defendants, Kendall, Ramsey, Haynes and Burbank, and each of them, individually and as members of the Executive Council of the State of Iowa, be enjoined and restrained from apportioning to any of the Auditors of any of the Counties in the State of Iowa, or any other taxing district in the State of Iowa, the aforesaid so-called assessment, or any part thereof, for taxation or for extension of tax rates thereof;

That the said defendant, Johnson, individually and as Secretary to the Executive Council of the State of Iowa, be enjoined and restrained from certifying to the said County Auditors, or any of them, or any officers of the Counties into or through which the line of railroad of complainant extends, in the said State of Iowa, the aforesaid so-called assessments;

That the said defendants, Kendall, Ramsey, Haynes and Burbank, individually and as comprising the Executive Council of the State of [fol. 19] Iowa, be restrained and enjoined from levying or making or fixing any assessment of the property of the complainant in the State of Iowa, subject to their jurisdiction, for the purpose of taxation, at an assessed value in excess of \$9,880.00 or such sum as the court may find just and equitable in the premises, and,

That the said defendants and each of them, individually or under color of their said respective offices, be restrained and enjoined from certifying to the Auditors of the various Counties into and through which the lines of the said complainant extend, or to the officers of any taxing district in the said State of Iowa any assessment of the property of the complainant, either as the assessed value or as the taxable value thereof, in excess of such amount;

That upon final hearing of this cause and the rendition of the final judgment, that the said attempted assessment of the property of this complainant by the said defendants, as comprising the Executive Council of the State of Iowa, in the sum of Thirty Thousand Dollars (\$30,000.00) per mile, assessed value, be held null and void and of no effect upon the grounds, and for the reasons set out and alleged in this bill of complaint, and upon such other grounds and for such other grounds as to this Honorable Court may seem just and reasonable, and may to this Honorable Court be found to exist;

And said complainant prays that meanwhile a temporary restraining order be issued in accordance with its prayer, for aforesaid preliminary injunction, and in order that said complainant may not suffer the irreparable injury and damage that it otherwise would [fol. 20] suffer, as is alleged and charged in the said bill of complaint.

Said complainant further prays for such other and further relief in the premises as to this Honorable Court may seem equitable and just.

Ralph M. Shaw, Walter H. Jacobs, Clifford V. Cox, Wm. E. Riley, Donald Evans, Solicitors for Complainant.

[fol. 21] STATE OF IOWA.

County of Polk, ss:

I, Donald Evans, being first duly sworn on oath, depose and say that I am one of the attorneys for Iowa for the Chicago Great Western Railroad Company, which is a corporation; that as such attorney I have authority to make this affidavit; that I have read and know the contents of the foregoing Bill of Complaint, and that the statements, allegations and averments in said Bill of Complaint contained are true, except such as are stated on information and belief, and as to such, affiant believes such averments to be true.

Donald Evans.

Subscribed and sworn to before me by the said Donald Evans on this 26th day of July, A. D., 1922. W. E. Lerjequist, Notary Public. (Seal.)

[File endorsement omitted.]

[fol. 22] And thereafter to wit. On the 26th day of July, A. D. 1922, there was filed in said cause an Order for Temporary Restraining Order which is in words and figures as follows:

[fol. 23] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ORDER FOR TEMPORARY RESTRAINING ORDER Filed July 25, 1922

To the Honorable Judge of the District Court of the United States in and for the Southern District of Iowa:

Complainant, upon filing its bill herein, moves the court to grant it an injunction pendente lite in accordance with its prayer in its bill, and said motion is now set for hearing on the 21st day of August, 1922, at ten o'clock, in the courtroom of this court, city of Des Moines, Iowa, and it having been made to appear by the averments of complainant's bill, which is duly verified, that there is danger of irreparable loss to complainant before the hearing of said application for said injunction can be had unless defendants herein are, pending said hearing, enjoined and restrained as prayed in complainant's said bill.

It is therefore ordered that a temporary restraining order be and it is granted, and that the defendants, Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes and W. J. Burbank, individually, and as members of the Executive Council of the State of Iowa, and [fol. 24] R. E. Johnson, individually and as Secretary of the Executive Council of the State of Iowa, be and they are enjoined and restrained, pending the further order of this court, from certifying to the auditors of the various counties in the state to or through which the lines of the railroad of complainant extend, or to the officers of any other tax district of the state, the value of any ratable portion thereof, heretofore fixed by said executive Council of the said state, as the assessed value of the property of the complainant, or from certifying to said officers 25 per centum of said value as the taxable value, or from making, fixing or certifying any other assessed values of the property of the complainant, in excess of \$9,880.00 per mile.

Done, this 26th day of July, 1922, at 6.50 P. M.

(Sgd.) Martin J. Wade, U. S. District Judge

[File enforcement omitted.]

[fol. 25] And thereafter to wit: On the 14th day of August, A. D. 1922, there was filed in said cause a Supplemental Bill of Complaint by complainants, which is in words and figures as follows:

[fol. 25] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION, AT DES MOINES

[Title omitted]

SUPPLEMENTAL BILL OF COMPLAINT—Filed Aug. 14, 1922

Your complainant, leave of court having been first obtained, files this its supplemental bill of complaint in the above entitled cause.

The complainant alleges that after the filing of the original bill herein and the granting of the restraining order in accordance with the prayer thereof, the defendants did on the 27th day of July, 1922, meet again for the purpose of assessing the property of this complainant for taxation, pursuant to the laws of the State of Iowa, and on said date did fix the value of said property for the purpose of taxation at the sum of Twenty-Nine Thousand Dollars (\$29,000.00) per mile instead of Thirty Thousand Dollars (\$30,000.00), as alleged in the original bill of complaint.

The complainant makes the same allegations with reference to the discriminatory and illegal character of said assessment at Twenty-Nine Thousand Dollars (\$29,000.00) per mile as are contained in the original bill of complaint and that the same is on account of the facts therein alleged, illegal and void.

[fol. 27] Complainant also respectfully shows to the court that on the same day the said defendants did, acting as the Executive Council of the State of Iowa, assess the property of other railroads within the State of Iowa at a lower proportion of their actual value than Twenty-nine Thousand Dollars (\$29,000.00) per mile bears to the actual value of the property of this complainant, and that the said assessment of the property of this complainant is of such a character as to deny to this complainant the equal protection of the law not only by reason of the fact that it belongs to a class of property which is as a class assessed upon a value bearing a much greater proportion to its actual value than farm lands throughout the State of Iowa, as alleged in the original bill of complaint, but that this complainant is also denied the equal protection of the law by reason of the fact that as a member of the class of persons owning railroad property the value of its property is fixed at a higher percentage of its actual value than is other property of the same class.

Wherefore, this complainant prays as in its original bill.

(Sgd.) Carr, Cox, Evans & Riley,

STATE OF IOWA,

Polk County, ss:

I, Donald Evans, being first duly sworn, on oath depose and say that I am one of the attorneys for Iowa for the Chicago Great Western Railroad Company, which is a corporation; that as such attorney I have authority to make this affidavit; that I have read and

know the contents of the foregoing Supplemental Bill of Complaint, and that the statements, allegations and averments therein contained are true, as I verily believe.

(Sgd.) Donald Evans.

Subscribed and sworn to before me by the said Donald Evans on this 12th day of August, A. D. 1922. (Sgd.) Clifford V. Cox, Notary Public in and for Polk County, Iowa.
(Seal.)

[File endorsement omitted.]

[fol. 28] And thereafter to wit: On the 23rd day of October, A. D. 1923, there was filed in said cause a resistance by defendants, which is in words and figures as follows, to wit:

[fol. 29] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

RESISTANCE—Filed Oct. 23, 1922

To the Honorable Judge of the District Court of the United States in and for the Southern District of Iowa:

Come now Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of the State of Iowa; Glenn C. Haynes, Auditor of State of the State of Iowa; W. J. Burbank, Treasurer of State of the State of Iowa, and R. E. Johnson, Secretary of the Executive Council of the State of Iowa, and show to the court that they have just grounds for resistance to the issuance of a temporary or interlocutory injunction as prayed for in the bill of complaint of the complainant herein, and just grounds upon which they believe that said bill of complaint should be dismissed, and they do hereby resist said application for a temporary or interlocutory injunction, and as grounds for such resistance show to the court each and all of the matters and things, to wit:

1. It affirmatively appears upon the face of said bill of complaint [fol. 30] that the suit of the complainant is in effect a suit against the sovereign State of Iowa, which suit is brought without the consent of the State of Iowa, and such consent is expressly withheld.

2. It appears upon the face of the bill of complaint that the complainant is attempting and seeking to interfere with, dislocate and stop the functioning of the government of the State of Iowa, and therefore the application for temporary injunction should be denied and the complaint dismissed.

3. That this court has no jurisdiction of this controversy or of the persons of the defendants or of the subject matter of the suit.

4. That this complainant has a full, complete and adequate remedy at law.

5. That there is no equity in the bill of complaint.

6. It affirmatively appears upon the face of the bill that there is no diversity of citizenship between the complainant and the defendants such as is requisite to sustain the jurisdiction of this court, no Federal question being raised or presented by the bill, and it affirmatively appearing from the face of the bill that the complainant is a citizen and resident and an inhabitant of the State of Iowa.

7. The bill upon its face seeks to review, interfere with and control the exercise of the judgment, discretion and power reposed in the defendants under and by virtue of the provisions of the laws of the State of Iowa.

8. This suit is an unwarranted, unjustified and illegal attempt to secure judicial invasion of the legislative and executive powers vested by the constitution of the State of Iowa and the laws of the State of Iowa in the legislative and executive departments of the government of the State of Iowa.

[fol. 31] 9. It affirmatively appears from the face of the bill of complaint that the property of the complainant has been assessed for taxation at less than its actual value and at less than the statutes of the State of Iowa require that the same shall be assessed, and therefore it has no just grounds for complaint, and alleges no equitable right to injunctive relief.

10. This suit is in effect a collateral attack upon the actions of the several assessorial bodies of the State of Iowa over which this court has no jurisdiction.

11. No offer or tender of taxes, conceded to be and which the court finds to be due, has been made or tendered to any of the several taxing districts of the State of Iowa without demanding a receipt in full.

12. No irreparable injury or damage to the complainant will result by a denial of injunctive relief, while the granting of such relief will dislocate and paralyze the functioning of the State of Iowa.

13. The decisions of officers and tribunals specially created and charged in tax laws of the State of Iowa with the duty of valuing property for taxation, and equalizing such valuation, are final and conclusive.

14. Inequalities in valuations made under a valid law of property subject to taxation do not constitute grounds for enjoining the assessment of the tax in the absence of a clear showing of fraudulent discrimination upon the part of officers and agents charged by the law with the duty of making the valuations of the property which it is alleged has been discriminated against.

15. The Executive Council of the State of Iowa acts as an original assessing body only as to those classes of property expressly provided by statute to be assessed by it, and as to the assessment of such [fol. 32] classes of property the exercise of its discretion, in the absence of fraud, is final and conclusive.

16. The Executive Council of the State of Iowa, sitting as a Board of Review, has not power or jurisdiction to assess any prop-

erty in the State of Iowa, but has power and jurisdiction only to equalize assessments already made as to certain classes of property between and among the several counties of the State.

17. The bill does not claim that, or present the question whether all railroad property has been over-assessed, or relatively over-assessed, as compared with farm lands or other property within the State; but complainant only claims that its property has been assessed relatively more than at certain other general class of property; in other words, the bill presents only the complaint of an individual tax payer, that its property has been assessed by the Executive Council at a relatively greater valuation (not at less than its actual value) than a certain other general class of property, namely, farm lands. The court has no jurisdiction to entertain complainant's suit or to grant the complainant injunctive relief.

18. The bill of complaint shows on its face that the reason for the objection to the valuation placed by the Executive Council on the property of the complainant is the fact that farm property within the State of Iowa has been for the purpose of assessment, as alleged by the complainant, under valued by the Executive Council, and the defendants show to the court that under the laws of the State of Iowa the Executive Council has no jurisdiction to, and they have not valued farm property for taxation; further, that farm property is not in the same class of property as that of complainant herein.

19. The defendants for further resistance to the bill of complaint allege that the farm lands of Iowa constitute approximately 51 per cent [50.33] of the total assessed property of the State. That complainant's property constitutes less than 1 per cent of the total assessed property.

Defendants further aver that the claim of the complainant in this suit is: that there has been an unjust discrimination in favor of farm lands. The defendants aver, however, that other large classes of property within the state of Iowa have been assessed at substantially 100 per cent of their value, and that to grant relief in this case would work an irreparable injury to such other classes of property, and to impose an unjust burden upon such classes of property without leaving the tax payers represented in each of such classes of property a just and adequate remedy at law.

It is further averred in this connection that in determining whether or not there has been an unjust discrimination or an unjust burden imposed upon the complainant, that all of the classes of property within the state of Iowa subject to assessment are to be considered in determining the average percentage or burden of taxation borne by each of said several classes of property and the average burden borne by each individual property, and defendants further aver that the average burden borne by property as a whole must be considered, and that the average percentage at which all classes of property in the state are assessed must be considered, and defendants allege that taking into consideration *et al* of the property of the state at the rate and value at which it is assessed that no unjust, unfair or inequitable burden has been imposed upon the complainant's property.

20. The defendants further aver that under the laws of the state of Iowa the Executive Council is vested with a discretion of a legislative character for the purpose of fixing the value for assessment purposes of property within the class of complainant's property; that the properties within the class of complainant's property are assessed in an entirely different manner and upon an—

[fol. 34] 21. The defendants further allege that under the laws of the state of Iowa real estate is not valued for assessment purposes in the year 1922; that the value fixed in the year 1921 carries over and becomes the valuation for the year 1922, with the exception of improvements and changes as provided by the laws of Iowa, and that, nevertheless, in truth, there has been no exercise of discretion by the assessing bodies of the state of Iowa as to real estate for the year 1922, and no discrimination of any kind by any of the assessing bodies of the state of Iowa as alleged in the bill of complaint.

22. The defendants further aver that if there has been any discrimination in fact, in the assessment for taxation of property, or of classes of property within the state of Iowa, either in the year 1922 or in any previous year thereto, the discrimination has been not against but in favor of railway properties, including the property of the complainant.

That the total assessed value as equalized and adjusted of all property within the state of Iowa, including town and city lots, farm lands, live stock and other property, excepting alone the railway property for the year 1913, and for each successive year thereafter, was as follows:

1913.....	\$3,553,632,382.00
1914.....	3,636,154,538.00
1915.....	3,735,532,144.00
1916.....	3,809,941,970.00
1917.....	3,885,086,617.00
1918.....	4,119,309,290.00
1919.....	4,477,992,626.00
1920.....	4,712,590,188.00
1921.....	4,809,623,065.00

That the total assessed values of complainant's property within the state of Iowa subject to assessment by the Executive Council for the year 1913 and for each successive year thereafter were as follows:

[fol. 35] 1913.....	\$24,415,140.00
1914.....	23,178,930.00
1915.....	23,075,280.00
1916.....	23,075,280.00
1917.....	23,075,280.00
1918.....	23,075,280.00
1919.....	23,075,280.00
1920.....	23,075,280.00
1921.....	23,075,280.00
1922.....	22,306,104.00

That the total assessed value of all railway properties within the state of Iowa subject to assessment by the Executive Council for the year 1913, and for each successive year thereafter, were as follows:

1913.....	8320,426,884.00
1914.....	321,664,008.00
1915.....	324,600,368.00
1916.....	324,600,380.00
1917.....	325,753,908.00
1918.....	325,445,892.00
1919.....	324,857,796.00
1920.....	326,958,204.00
1921.....	329,974,735.00
1922.....	326,621,939.00

That by virtue of all of the facts pleaded in this paragraph, the complainant is not entitled to relief in this suit in an amount in excess of the difference between the valuation placed upon its property by the Executive Council of the state of Iowa in the year 1922, and the valuation placed upon its property for the years prior to 1922, in which valuations it acquiesced and upon which valuations it paid taxes over a long period of years, without protest and without question; and by virtue of such facts complainant is estopped from claiming any relief in this suit to an extent greater than the amount of the difference between the valuation of its property as found by the Executive Council in 1922, and the valuation placed thereon by the Executive Council for years prior to 1922, in which valuation it acquiesced, as above alleged.

23. Further answering the bill of complaint the defendants aver that the complainant is not entitled upon the facts alleged in the bill [fol. 36] of complaint to relief in this. That the claim of value upon which the alleged claim of discrimination is based, is not common to the two classes of property, namely, complainant's property and farm lands. That there can be no claim of discrimination as against one class of property and in favor of another, except upon a common basis of value, and upon a common manner and method of fixing such value.

24. The defendants deny each allegation of each paragraph of the complainant's bill, not hereinafter admitted, and asks leave to submit proofs in connection therewith.

25. The defendants further allege that the Executive Council of the State of Iowa for the year 1922 reduced the total assessment of the complainant's property in the sum of \$600.00 per mile. That such reduction was below the amount at which the complainant's property had been assessed since 1913, and that during said period of time complainant's property has greatly increased in value as shown by the official reports of the Board of Directors of said complainant, the reports filed with the Interstate Commerce Commission of the United States of America, the reports filed with the Executive Council of the State of Iowa, the reports filed with the Railroad Commission of the State of Iowa, and that during the same period of time farm lands

have been increased for assessment purposes as shown by the assessments of farm lands of the state of Iowa in the records and files of the Auditor of State of the State of Iowa. That by reason of said facts and by reason of all of the facts alleged and set out in this resistance the complainant is not entitled to any relief and this suit should be dismissed.

[fol. 37] 26. The defendants further allege that the complainants appeared before the Executive Council of the state of Iowa in the year 1922 and submitted reports and proofs as to values, which reports and proofs show that the assessment value of complainant's property as fixed by the Executive Council is fair, just and equitable, and that to grant a temporary injunction in this suit would work great and irreparable injury to the state of Iowa, and to each and every tax payer of the state of Iowa, and the defendants acting for and on behalf of said tax payers of the state of Iowa allege that the complainant is estopped from claiming any of the matters and things alleged in the bill of complaint, and is not entitled to equitable relief herein.

Wherefore, the defendants, Nathan E. Kendall, as Governor of the State of Iowa; Walter C. Ramsay, as Secretary of State of the State of Iowa; Glenn C. Haynes, as Auditor of State of the State of Iowa; W. J. Burbank, as Treasurer of State of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, pray that complainant's application for a temporary injunction herein be denied; that the restraining order heretofore issued herein be dissolved, and that they may go hence with their costs.

Ben. J. Gibson, Attorney General of Iowa; Bruce J. Flick,
Neil Garrett, J. H. Henderson, Solicitors for Defendants.

[fol. 38] STATE OF IOWA.

County of Polk, ss:

I, Ben J. Gibson, being first duly sworn depose and say: That I am Attorney General of the State of Iowa, and as such an attorney for Nathan E. Kendall, as Governor of the State of Iowa; Walter C. Ramsay, as Secretary of State of the State of Iowa; Glenn C. Haynes, as Auditor of State of the State of Iowa; W. J. Burbank, as Treasurer of State of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, and have authority to make this affidavit; that I have read and know the contents of the foregoing resistance to application for temporary injunction, and that the statements, allegations and averments in said resistance contained are true, except such as are stated on information and belief, and as to such affiant believes the same to be true.

(Signed) Ben. J. Gibson.

Subscribed and sworn to before me and in my presence by
Ben J. Gibson this 21st day of October, A. D. 1922. (Sgd.)
Winogene Hobbs, Notary Public in and for Polk County,
Iowa. (Seal.)

[File endorsement omitted.]

[fol. 39] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause *Per Curiam*—Memorandum Opinion of Hon. Kimbrough Stone, Circuit Judge, Hon. Thomas C. Munger, District Judge, and Hon. Martin J. Wade, District Judge, which is in words and figures as follows:

[fol. 40] UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF IOWA

In Equity. No. 4196

THE CHICAGO, GREAT WESTERN RAILROAD CO., Complainant,

v.

NATHAN E. KENDALL et al., Defendants.

In Equity. No. 4198

THE CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY,
Complainant,

v.

NATHAN E. KENDALL et al., Defendants.

Before Stone, Circuit Judge, and Munger and Wade, District Judges.

[fol. 41] MEMORANDUM OPINION. Filed Nov. 10, 1922

Per Curiam:

These are hearings upon applications for temporary injunctions on separate bills filed by the Chicago, Rock Island & Pacific Railway Company and the Chicago Great Western Railroad Company respectively. The applications were heard together and both will be covered in this opinion.

These complainants challenge the validity of assessments for taxation of the railway property of complainants by the Executive Council of the State of Iowa. The Rock Island claims that farm lands are assessed at slightly over 38% of actual value; that, with knowledge of this undervaluation of farm lands, the Executive Council intentionally assessed its property at 75% of actual value. The Great Western claims the same as to farm lands and that its property was intentionally assessed at 44.5% of actual value. A reduction in the valuation by the Council, after the Great Western filed its bill, would reduce this claimed percentage to slightly over 44.5% of actual value.

There is no claim that the Council misinterpreted the law governing their action. The claim is that it intentionally discriminated in applying the law.

There is no material difference between counsel on the point that if such intentional discrimination exists, under the Iowa laws, it

may be examined and prevented by the courts. Allegations of violation of provisions of the Federal Constitution amply sustain the jurisdiction of this court. Such jurisdiction has been upheld in many cases, among which are: *Wallace v. Hines*, 253 U. S. 66, *Greene v. Ry.*, 214 U. S. 439, *Raymond v. Traction Co.*, 207 U. S. 20 and *State Railroad Tax Cases*, 92 U. S. 575. Therefore, this court has, under the allegations of the complaints, jurisdiction of these cases and must examine and determine them.

[fol. 12] At the threshold of this examination, it is of vital importance to state the limits within which this inquiry must be confined. Assessments of taxes is essentially a legislative function. *State Railroad Tax Cases*, 92 U. S. 575, 615. Courts can not act as boards of review to correct errors in legislative judgment. They act only to restrain legislative action to its legal boundaries. The Executive Council is clothed by the Statutes of Iowa with full power to determine the value of these railway properties for general taxation purposes. This power, however, is restricted and defined by those statutes and by the state constitution. Of those restrictions, the ones here vital relate to equality of valuation. Because of difference in character, the statutory methods of determining value are different in the case of railroad property and of ordinary land and personal property. However, the statutes are clear that the ultimate aim and requirement is that property in each of the above classes shall be assessed at full actual value (Sees. 1305, 1334 A and 1336 Iowa Code). The rate of taxation applicable to all of the above classes of property is the same, so that inequality of assessment results in inequality of taxation. It is not, however, every inequality of assessment which can be corrected by the courts. As said by Mr. Justice Miller (*State Railroad Tax Cases*, 92 U. S. 575 at 612) "perfect equality and perfect uniformity of taxation as regards individuals or corporations, or the different classes of property subject to taxation, is a dream unrealized." And when the most perfect system is sought to be honestly applied to all the different classes and items of property in a great state like Iowa the result must be saturated with the inequalities and inaccuracies inevitably attending the fallibility of human judgment applied to such a complex situation. To correct such inequalities and inaccuracies is not the function of courts. First, for the legal reason that the determination of such matters is a legislative function; and, second, for the practical [fol. 13] reason (as said by Justice Miller in the above case, p. 610) "as all valuation of property is more or less matter of opinion, we see no reason why the opinion of this court, or of the Circuit Court, should be better, or should be substituted for that of the board, whose opinion the law has declared to be the one to govern in the matter." But when the assessing body does not exercise its judgment fairly and honestly, an entirely different situation, both legally and practically, exists. The law gives every tax payer the legal right to the honest, fair judgment of the assessors as to the value of his property for taxation purposes. The method of enforcing this right is by invalidating the assessment wrongfully made and enjoining its enforcement. This limit of judicial action, in tax assessment matters,

to instances where the allegations and the proof show wilful, intentional wrong valuation, has been established by many cases in the Supreme Court. Application of the doctrine is well illustrated in *Albuquerque Bank v. Perea*, 147 U. S. 87; *Sunday Lake Iron Co. v. Wakefield*, 247 U. S. 350; *Raymond v. Traction Co.*, 207 U. S. 20 and *Greene v. Ry.*, 244 U. S. 199. In the *Albuquerque Bank* and *Sunday Lake Iron Co.* cases, the court refused to interfere. In the *Raymond* and *Greene* cases, injunctions issued and were upheld.

Therefore, the inquiry here is not whether the property of these complainants was overassessed as compared with farm lands but whether the Executive Council intentionally so overassessed such property. The complaints allege that such was the case.

We start into the proof with the presumption that the Council did its duty and made no intentional overassessment. Nor is overassessment necessarily sufficient, standing alone, to prove intentional overassessment. Complainants have the burden of proving both overassessment and an intention to overassess. *Sunday Lake Iron Co. v. Wakefield*, 247 U. S. 350, 353. In the absence of direct evidence, intention may be inferred from surrounding and attendant [fol. 44] circumstances. We may examine the action of the Council in the light of the facts before it and upon which it must have based its action.

As to farm land values, we are aided by a stipulation which places the average value in the state at \$125.00. The average assessment, by the local boards, was \$76.00. This was a fraction over 61% of actual value. It seems to be conceded by counsel for the respondents that respondents knew of this underassessment. If not conceded, the proof is ample that they did know it. Therefore, in assessing complainants' property, they were obligated to apply a relatively similar per centage of valuation. Does the evidence convince that they failed to do so and that such failure was intentional?

In endeavoring to answer this question, it is important to recognize and give weight to the character of the problem before the Council. That problem was to ascertain the value of the property, in Iowa, of two large interstate railway systems. The statutes of Iowa contemplate that the Council shall, in such cases, assess the "entire railway within the state" (Sec. 1336, Code). It includes all real estate (Sec. 1334 A and 1336, Code), personality (Sec. 1336 Code) and intangibles (Sec. 1336 and 1334 and 1340A Code). It is contended by complainants that intangible property is not included but we think the above sections are intended to cover such property and that the valuation is to be upon the entire property as a going concern. The difficulties of ascertaining the value of a single, simple thing, as a house, a building or a tract of land are evident and have been experienced by every court. How infinitely much more complicated and difficult must always be the valuation of a large railway property! For a half century the courts have struggled with this problem and have not yet settled even the bases to be used in determining such value. There have been innumerable cases before the Supreme Court involving the valuation of large public utili-

[fol. 45] ties for taxation and rate purposes. In no one of them has it been laid down that any particular basis or method of ascertaining such value was exclusive or controlling. The most that has been decided is that certain bases or methods bore directly upon value and were useful in determining it. Such recognized bases are cost price, reconstruction cost price, market value of stocks and bonds and capitalization of net income. The uncertainties concerning selection of any one basis, or combination of bases, as a standard of value is also made evident by the sharp conflict between economists, accountants and students of this subject. They never have agreed and they do not now agree. This uncertainty is further emphasized in these cases where counsel for The Rock Island present six bases (par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6%, capitalization of net income at 7%, capitalization of Government rental at 6% and property investment as shown in Ex parte $\neq 74$, a valuation proceeding by the Interstate Commerce Commission), the Great Western presents five (physical value, capitalization of net earnings in Iowa at 5%, market value of stocks and bonds, capitalization of net earnings allocated to Iowa at 5%, Government rental capitalized at 5%) and respondents present three (investment cost, reproduction cost and valuation under Ex parte $\neq 74$).

The difficulty does not stop with the bases of value. It continues into the bases of allocation to Iowa of a proper proportion of the non-fixed property and intangibles. There are, at least, twelve different bases suggested in these cases. As to the Great Western, the six bases suggested by it do not widely vary, the extreme percentages to Iowa being 49.97% and 54.55%. As to the Rock Island, the variation is from 7.25% to 29.63%. As to the Rock Island the respondents contend for a ratio to Iowa of 27.4%.

All of these theories as to bases of value and bases of allocation were before the Council. We are not informed as to which of these theories or combination of theories the Council adopted or what weight it gave to any one or more. All of these bases have some [fol. 46] logical bearing upon the matter. As no one has been settled upon, in the decisions, as controlling, the propriety of selection remains a matter of fact (*Groesbeck v. Ry.*, 250 U. S. 607, 615) to be determined by the Council, which is the body required by law to make the assessment. In the absence of evidence as to the bases employed, we cannot impugn the good faith of the Council if the result reached by it is substantially justified by the application of any one, or combination, of these bases to the facts before it. Nor, direct evidence of intent being absent, can we impute bad intention if (aside from all theories of valuation and allocation) the Council had before it direct evidence of value which rational men would use and which could justify the result reached.

There remains the test of the intent of the Council in the light of the above considerations and of the facts before it. We were told at argument that the Council had before it all of the facts here presented. In considering the facts, the evidence is different as between

the two complainants and each must, therefore be considered separately.

The Rock Island

The affidavit of L. A. Hermans (Complainant's Ex. 11) purports to show the value of the entire system on the six bases of par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6%, capitalization of net income at 7%, capitalization of Government rental at 6%, and value under Ex parte ± 74 . These bases are averaged over a period of five years ending June 30, 1922. Allocation to Iowa is suggested on six different bases. Using all of these facts and giving equal weight to each, the result is a valuation to Iowa of \$56,953,316.00 as against an assessed value of \$66,950,984.00. The inaccuracy of this result and, therefore, either of the method- or of the figures used is shown by the Rock Island bill which sets out a claimed valuation not in excess [fol. 47] of \$40,500.00 per mile in Iowa on a mileage of 2,202.335 miles, or an aggregate Iowa value of \$89,191,567.00. For the moment considering the figures in the exhibit to be sure, the Council may have taken any single base or any combination thereof which it might deem helpful. It may, also, have used any of the suggested methods of allocation, so long as it included therein the requirements of the Iowa statute that it consider gross earnings and the relative proportion of state and interstate "business." However, this affidavit contains no information as to gross earnings. It is, also, for the fiscal instead of the calendar year, which latter is the taxation period. The Council might, also, properly have rejected the five year period and taken the single year 1921 or a shorter period than five years. The result possible for Iowa value by employment of the exhibit figures and some one or more of these bases of valuation and allocation might range from more than \$109,000,000.00 to a little less than \$10,000,000.00. If the higher results were accepted by the Council, the ratio of assessed value would be slightly over 60% as against 61 Plus $\frac{1}{2}$ for farm lands.

There was, however, before the Council additional direct evidence of value which might rationally have been considered by it. In fact, the motives of the Council could not be successfully attacked had they, in good faith, used that evidence as the basis of the valuation instead of going into the field of suggested theoretical bases of value and methods of allocation. This evidence included the report of the company to the Inter-State Commerce Commission of the investment value of its property in Iowa for purposes of physical valuation by the Commission; the protest filed by the company to the tentative valuation findings of the Inter-State Commerce Commission; and the report of the directors of that railroad to its stockholders. The above report to the Commission shows a total value [fol. 48] tion of over \$137,500,000.00. It seems doubtful whether the item therein of "General Expenditures," totalling over \$11,300,000.00 should be considered at all for taxation purposes. Excluding this item, however, leaves a balance of over \$123,000,000.00.

If this balance be taken as the actual value then the assessment for taxation sinks to slightly over 50% as compared with 61 plus $\frac{1}{2}$ for farm lands.

The above protest filed by the company with the Inter-State Commerce Commission claimed a system value of not less than \$525,000,000.00. From this amount a most liberal deduction for included items not properly to be considered in tax values within the state of Iowa would leave a figure which, allocated by any reasonable method suggested, would apportion to Iowa at least \$100,000,000.00. The assessed value would be 66% thereon as compared with 61 plus $\frac{1}{2}$ for farm lands. Such narrow difference of percentage might well honestly occur and is slight evidence of fraud.

In the above annual report to the stockholders, for 1921, the statement is made, and supported by figures, that the physical property of the company, as a going concern, exceeds the par value of the outstanding stocks and bonds. This par value is given, in that report, as slightly over \$362,000,000.00. If that be allocated on the mileage basis for 1921 of 29.81% (being one of the methods suggested by this complainant) the Iowa value is something over \$107,000,000.00. To this the assessed value is 61 plus $\frac{1}{2}$ as against 61 plus $\frac{1}{2}$ for farm lands.

In view of the above possible findings, based on evidence before it, we cannot say that the Council intentionally overassessed the property.

The Great Western

We apply the same reasoning and examination, as above, to the evidence concerning this carrier. On the basis of physical values, as tentatively determined by the Inter-State Commerce Commission, [fol. 49] the assessed value is 66 plus $\frac{1}{2}$ if the figures of the carrier be correct or 54 plus $\frac{1}{2}$ if the figures of respondents are right. Using the reports to the Iowa Railroad Commission and the Executive Council for 1921, the system value is at least \$120,000,000.00. The parties agree that approximately 50% is a fair basis for allocation. Such would give \$60,000,000.00 for Iowa value. The assessed value is less than 40% thereof. Using this same method as to the value found in Ex Parte ≈ 74 , the result is slightly above 40%.

We conclude, therefore, that the Council cannot, on evidence which includes the above, be found to have intentionally overvalued the property of this complainant.

In the above valuations of the two roads, no account has been taken of intangible values. We have thought it unnecessary to investigate the amount of such values because the showing as to physical values is, in our judgment, sufficient to defeat these applications for temporary injunctions. We do not say the above methods are, in our opinion, the best to use in ascertaining the values sought but we do think that men honestly seeking such values might rationally use the above methods and figures as a basis.

Some of these figures have been attacked by the carriers as to some items included therein. It was within the province of the Council

to reject these contentions and we are not here to review such action as to facts before them. In most instances, an approval of such contentions would not vary the above percentages sufficiently to cast a shadow upon the good faith of the Council.

Our conclusion is, therefore, that the applications should be and they will be denied.

[File endorsement omitted.]

[fol. 50] And thereafter to-wit: On the 10th day of November, A. D. 1922, there was filed in said cause a Petition for Allowance of Appeal, which is in words and figures as follows:

[fol. 51] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ALLOWANCE OF APPEAL—Filed Nov. 10, 1922

To the Honorable Judges of the District Court of the United States for the Southern District of Iowa, Central Division:

The Chicago Great Western Railroad Company, the above named complainant, feeling aggrieved by so much of the interlocutory decree rendered and entered in the above entitled cause on the 10th day of November, 1922, as denies the application of the complainant for a temporary injunction and refuses the complainant a temporary injunction restraining the above named defendants, and each of them, from certifying to the auditors of the various counties of the state to and through which the lines of railroad of complainant extend, or to the officers of any other taxing district of the state the value or any ratable portion thereof heretofore fixed by the Executive Council of said state as the assessed value of the property of the complainant, or from certifying to said officers twenty-five per cent of the said value as the taxable value, does hereby appeal from [fol. 52] such interlocutory decree herein mentioned to the Supreme Court of the United States for the reasons set forth in the assignment of errors filed herewith, and it prays that its appeal be allowed pursuant to Section 236 of the Judicial Code, and that citation be issued as provided by law, and that a transcript of the record and proceedings and documents upon which said decree was based, duly authenticated, be sent to the Supreme Court of the United States sitting at Washington, in the District of Columbia, under the rules of such court in such cases made and provided.

Your petitioner shows that in the above entitled cause said petition claims that the act of the defendants in certifying or utilizing the said assessment of the property of complainant devoted to railroad purposes in the State of Iowa as made or fixed by the Executive

Council of the State of Iowa constitutes the subjection of the property of complainant to taxation at a greater rate or upon a greater basis than other classes of property subject to taxation in the State of Iowa, and is contrary to and in violation of the Fourteenth Amendment to the Constitution of the United States providing that no state shall deprive any person of his property without due process of law nor deny to any person the equal protection of the laws, and that the amount in the above entitled suit on appeal exceeds in interest and costs the sum of Five Thousand (\$5,000.00) Dollars.

Wherefore your petitioner prays that said appeal may be allowed and that upon complainant giving bond in an amount fixed by this court, said appeal may operate as a supersedeas and may suspend during the pendency of said appeal the effect of the order denying [fol. 53] said injunction, and petitioner shows to the court that unless a stay is granted which will preserve the status of the litigation until an appeal may be heard, the act sought to be enjoined will have been committed, and the petitioner thus deprived of the fruits of a successful appeal, and petitioner prays for all other and further relief to which it may be entitled.

Ralph M. Shaw, Walter H. Jacobs, Donald Evans, Clifford V. Cox, William F. Riley, Solicitors for Complainant,
Carr, Cox, Evans & Riley, Of Counsel.

[File endorsement omitted.]

[fol. 54] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause an Assignment of Errors which is in words and figures as follows:

[fol. 55] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ASSIGNMENT OF ERRORS—Filed Nov. 10, 1922

Now comes the complainant, Chicago Great Western Railroad Company, and files herewith its petition for allowance of appeal, and says that there are errors in the record and proceedings in the above entitled cause, and for the purpose of having the same reviewed in the United States Supreme Court makes the following assignment of errors:

1. The said court, constituted under the provisions of Section 236 of the Judicial Code, erred in denying to complainant the relief prayed for.

2. The said court, constituted under the provisions of Section 265 of the Judicial Code, erred in denying to complainant a temporary

injunction restraining the defendants from certifying an illegal assessment of its property for the purpose of taxation.

3. The said court, constituted under the provisions of Section 263 of the Judicial Code, erred in denying to complainant a temporary injunction as prayed for, for the reason that the use or certification [fol. 56] of the assessment made by the Executive Council of the State of Iowa of the property of complainant for the purpose of taxation results in an illegal discrimination as against the complainant, and is therefore illegal and void.

4. The said court, constituted under Section 266 of the Judicial Code, erred in denying to complainant the temporary injunction prayed for, for the reason that under the evidence adduced it was clearly shown that in all reasonable probability the complainant could and would sustain the allegation or allegations of its bill upon final hearing.

5. The said court, constituted under Section 266 of the Judicial Code, in denying to complainant the temporary injunction prayed for under the evidence did not indulge a reasonable discretion.

6. That the denial by the said court, so constituted under Section 266 of the Judicial Code, of a temporary injunction to complainant as prayed for, constituted an abuse of discretion.

7. For the reason that the evidence adduced by complainant fully met the burden of proof imposed upon it by law.

8. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for the reason that the purported assessment if certified and utilized by defendants in the further steps provided by the statutes of the State of Iowa for the levying of taxes, will deprive complainant of its property without due process of law, and will deny to complainant the equal protection of the law, all contrary to and in violation of the [fol. 57] Fourteenth Amendment to the Constitution of the United States.

9. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for the reason that the purported assessment, if certified and utilized by defendants in the further steps provided by the statutes of the State, for the levying of taxes, will impose upon this complainant an undue and discriminatory portion of the tax burdens of the State contrary to the provisions of the Constitution of the State of Iowa, and particularly Section 6 of Article 1, and Section 2 of Article 8, of said Constitution, and contrary to the Fourteenth Amendment to the Constitution of the United States.

10. The said court, so constituted under Section 263 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that complainant in order to avail itself of its rights under the law will be compelled to resort to many actions at law or in equity, and will be subjected to a multiplicity of suits.

11. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that the actions of defendants in certifying or utilizing as the assessed value of complainant's property the sum of

Twenty Nine Thousand Dollars per mile is violative of the provisions of Article VIII, Section 2 of the Constitution of the State of Iowa, and of Sections 1305, 1334, 1335 and 1336, of the Code of Iowa of 1897, as amended.

12. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction [fol. 58] as prayed, for the reason that the act of defendants in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$29,000.00 per mile, denies to this complainant the equal protection of the laws and is therefore contrary to and in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

13. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed, for the reason that by so doing the act of the defendants, so constituting the Executive Council of the State of Iowa, in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$29,000.00 per mile is construed to be in accordance with Sections 1305, 1334, 1335, 1336, 1378, 1379 and 1382, of the Code of Iowa, as amended, and said sections when so construed are unconstitutional and void and contrary to and in contravention of the Fourteenth Amendment to the United States Constitution. \$29,000.00.

14. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction as prayed, for the reason that the act of said defendants, acting as the Executive Council of the State of Iowa in certifying or utilizing as the value of complainant's property for taxation purposes the sum of — per mile while other railroads are assessed as a lesser proportion of their actual value constitutes a discrimination against this complainant, and denies to it the equal protection of the laws and takes from it its property without due process of law; for the reason that [fol. 59] complainant as a member of the class of persons owning railroad property in the State of Iowa is discriminated against because the value of complainant's property for taxation purposes is fixed at a higher percentage of its actual value than is other property of the same class.

15. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant temporary injunction as prayed, for the reason that the act of the defendants, acting as the Executive Council of the State of Iowa, in certifying or utilizing as the value of complainant's property for the purpose of taxation the sum of \$29,000.00 per mile, constitutes a discrimination against this complainant, for the reason that other railroads in the State of Iowa are assessed at a lesser proportion of the actual value of their respective properties, all as was shown by evidence adduced, and said court by so denying said injunction denies to this complainant the equal protection of the law and takes from it its property without due process of law.

16. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant the temporary injunction as

prayed, for the reason that the evidence adduced upon the trial shows that the act of said defendants, acting as the Executive Council of the State of Iowa, in certifying or utilizing as the value of complainant's property for taxation purposes the sum of \$29,000.00 per mile constitutes a discrimination against this complainant because of the fact that other railroads are assessed a lesser proportion of their actual value, and by so denying said injunction it denies to this complainant the equal protection of the laws and takes from it its property without due process of law, all contrary to the Fourteenth Amendment to the Constitution of the United States.

[fol. 60] Wherefore, the said Chicago Great Western Railroad Company prays that the decree and order of the said District Court of the United States, for the Southern District of Iowa, Central Division, appealed from herein, be reversed.

Ralph M. Shaw, Walter H. Jacobs, Donald Evans, Clifford A. Cox, William F. Riley, Solicitors for Complainant.
Carr, Cox, Evans & Riley, Of Counsel.

[File endorsement omitted.]

[fol. 61] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause an Order which is in words and figures as follows:

[fol. 62] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ORDER DENYING INJUNCTION, DISSOLVING TEMPORARY RESTRAINING ORDER, ETC.—Filed Nov. 10, 1922

Now on this 30th day of October, 1922, this case having been heretofore fully heard before three Judges, to wit: Kimbrough Stone, Circuit Judge, Thomas E. Munger, District Judge, and Martin J. Wade, District Judge, and the same having been argued and submitted and the court being now fully advised, the said three Judges sitting, it was announced from the bench orally that the temporary injunction prayed herein shall be denied. And thereupon the court, consisting of the Judges aforesaid, retired from the bench.

Under the direction of Judges Stone and Munger, Judge Wade was to prepare the written order to be entered of record denying said injunction. A short time later counsel for complainant presented an oral request that the order denying the injunction and dissolving the restraining order should contain a provision suspending the force and effect of the order and continuing the restraining order in effect pending appeal to the Supreme Court of the United States.

Thereafter upon consultation individually with Judge Munger and later with Judge Stone the application was set for hearing before Judge Wade at the City of Council Bluffs on Wednesday, November 1st.

Now, to wit, on Wednesday, November 1st, 1922, appears counsel [fol. 63] for complainant and respondent and the application of complainant as aforesaid for a continuance of the restraining order was argued, and thereupon the court directed that a written application be filed and that objections thereto be filed which was later done.

Thereupon there was consultation by correspondence by Judge Wade with the other two judges in regard to the questions presented.

And now, to wit, on this 10th day of November, 1922, the matter coming on for further hearing and the court (Judge Wade sitting) being fully advised, it is now ordered and adjudged that the application of complainant for a conditional order continuing the restraining order in effect pending appeal, is denied. Exception allowed.

And therefore, it is now ordered and adjudged, in compliance with announcement of the three Judges as heretofore appearing herein application of the complainant for a temporary injunction herein be and the same is hereby denied. Exception allowed.

And it is further ordered and adjudged that the restraining order heretofore granted be, and the same is hereby dissolved. Exception allowed.

And thereupon the complainant presents petition for appeal to the Supreme Court of the United States, accompanied by assignment of errors, and also application for supersedeas praying that the appeal may operate as a supersedeas and may suspend during the pendency of said appeal the effect of the order denying said injunction.

Thereupon counsel for respondent filed resistance to the application for order of supersedeas, and the same having been presented the court being now fully advised, it is ordered and adjudged that the prayer for appeal be granted and that the application for supersedeas be granted. Exception allowed.

[fol. 64]

Order of Supersedeas

And now the petition for allowance of appeal having been granted, it is ordered and adjudged that pending such appeal the respondents Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes and W. J. Burbank, individually and as members of the Executive Council of the State of Iowa, and R. E. Johnson, individually, and as secretary of the Executive Council of the State of Iowa, be and they are hereby enjoined and restrained from certifying to the auditors of the various counties in the state of Iowa to or through which the lines of railroad of complainant extend, or to the offices of any other taxing district of the state, the value or any ratable proportion thereof heretofore fixed by the said Executive Council of the State of Iowa, as the assessed value of the property of the complainant, or from certifying to said officers twenty-five per cent of the said value as the taxable value, or from certifying or using any other assessed value of the property of the complainant in excess of \$25,520.00 per mile. The

value fixed by the Executive Council as aforesaid shall not be used for any purpose in excess of the value fixed therein less twelve per cent thereof, which per cent shall be deducted from said valuation by any officer using the same as a basis of taxation in any form.

This order is upon the following conditions:

1. That the complainant shall file a bond herein in the sum of \$50,000.00 conditioned that it will pay taxes upon any assessment of its property or ratable portion thereof in any taxing district the use of which may be finally determined to be legal in this case, together with penalties and interest, if any, as provided by the laws of the state of Iowa. Also that complainant shall pay all costs and damages which may be hereafter adjudged against it in this proceeding in this court. And the court reserves the jurisdiction to hear and determine any elements of claims for damages which may be hereafter presented.

[fol. 65] 2. That the complainant shall prosecute the appeal herein with due diligence and that upon failure to do so the respondent may apply at any time to this court for an order dissolving this order of supersedeas.

3. Counsel for respondent presents an oral application for an order permitting recovery of attorney's fees herein. This application, without prejudice, is continued until the consideration of damages as aforesaid upon the bond in case such matter is presented to the court.

4. This court retains jurisdiction herein to at any time make any order upon proper application which the court may have the power to enter pending such an appeal.

The respondent excepts to the order of the court granting a supersedeas and restraining the certifying of the full tax as aforesaid pending appeal.

(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 66] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause an Appeal Bond which is in words and figures as follows:

[fols. 67-69] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

APPEAL BOND—Filed Nov. 10, 1922 [for \$50,000; approved, Wade, J.; omitted in printing]

[fol. 70] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause a Supersedeas Bond which is in words and figures as follows:

[fol. 71] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

SUPERSEDEAS BOND—Filed Nov. 10, 1922

Know all men by these present: That we, Chicago Great Western Railroad Company, as Principal, and the National Surety Company, a corporation, as Surety, are held and firmly bound unto Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa; W. J. Burbank, Treasurer of the State of Iowa, individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, and individually, in the full and just sum of Fifty Thousand Dollars (\$50,000.00), to be paid to the said Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa; W. J. Burbank, Treasurer of State of Iowa, individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, and individually, their attorneys, executors, administrators or assigns, to which payment well and truly to be made, we bind ourselves, our [fol. 72] heirs, executors and administrators, jointly and severally, firmly by these presents. Sealed with our seals and dated this 10th day of November, in the year of our Lord one thousand nine hundred and twenty-two.

Whereas, the above named Chicago Great Western Railroad Company has prosecuted an appeal to the Supreme Court of the United State to reverse the decree entered in the above entitled cause on the 10th day of November, 1922, denying the application of said complainant for a temporary writ of injunction.

Now therefore, the condition of this obligation is such that if the above named Chicago Great Western Railroad Company shall prosecute its said appeal to effect and answer all damages and costs if it shall fail to make such appeal good, and shall pay taxes upon any assessment of its property, or ratable portion thereof in any taxing district of the State of Iowa, the use of which may be finally determined to be legal in this cause, together with penalties and interest, if any, as provided by the laws of the State of Iowa, then this obligation shall be void, otherwise the same shall be and remain in full force and virtue.

Chicago Great Western Railroad Company, Principal, (Sgd.)
By Carr, Cox, Evans & Riley, Its Solicitors. National
Surety Company, Surety, (Sgd.) By John I. Petty, Attor-
ney in Fact. (Seal.)

The foregoing bond is hereby approved to operate as a supersedeas as to said order or decree denying the temporary injunction entered on November 10, 1922.

(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 73] And thereafter to wit: On the 7th day of December, A. D. 1922, there was filed in said cause an Order by the three Judges which is in words and figures as follows:

[fol. 74] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

RESTRAINING ORDER—Filed Dec. 7, 1922

Now on the 5th day of December, 1922, the application for an injunction pending appeal and the resistance thereto being presented and argued to the Court, composed of the Honorable Kimbrough Stone, Circuit Judge, and the Honorable Thomas C. Munger and Martin J. Wade, District Judges, and the court being fully advised in the premises it is ordered and decreed that pending such appeal the respondents Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes and W. J. Burbank, individually and as members of the Executive Council of the State of Iowa, and R. E. Johnson, individually and as Secretary of the Executive Council of the State of Iowa, be and they are hereby enjoined and restrained from certifying to the auditors of the various counties in the State of Iowa to or through which the lines of railroad of complainant extend, or to the officers of any other taxing district of the State, the value or any [fol. 75] ratable proportion thereof heretofore fixed by the said Executive Council of the State of Iowa, as the assessed value of the property of the complainant, or from certifying to said officers twenty-five per cent of the said value as the taxable value, or from certifying or using any other assessed value of the property of the complainant in excess of \$25,520.00 per mile. The value fixed by the Executive Council as aforesaid shall not be used for any purpose in excess of the value fixed therein less 12 per cent thereof, which per cent shall be deducted from said valuation by any officer using the same as a basis of taxation in any form.

This order is upon the following conditions:

1. That the complainant shall within fifteen days file a bond herein in the sum of \$50,000.00 conditioned that it will pay taxes at the rate of levy established for the tax year 1922 upon any assessment of its property or ratable portion thereof in any taxing district the use of which may be finally determined to be legal in this case, together with penalties and interest, if any, as provided by the laws of the State of Iowa or amounts equal thereto as the court may

direct. Also that complainant shall pay all costs and damages which may be hereafter adjudged against it in this proceeding in this court.

2. That the complainant shall prosecute the appeal herein with due diligence and that upon failure to do so the respondent may apply at any time to this court for an order dissolving this order of supersedeas.

3. Counsel for respondent presents an oral application for an order permitting recovery of attorney's fees herein. This application, without prejudice, is continued until the consideration of damages as aforesaid upon the bond in case such matter is presented to the court.

[fol. 76] 4. This court retains jurisdiction herein to at any time make any proper order herein.

Upon filing and approval of the bond herein provided the injunction order pending appeal entered upon the tenth day of November, 1922 herein shall be dissolved and the bond therein discharged.

The respondent excepts to the order of the court granting a supersedeas and restraining the certifying of the full tax as aforesaid pending appeal.

(Sgd.) Kimbrough Stone, Circuit Judge. (Sgd.) Thos. C. Munger, District Judge. (Sgd.) Martin J. Wade, District Judge.

[File endorsement omitted.]

[fol. 77] And thereafter to wit: On the 8th day of December, A. D. 1922, there was filed in said cause an Application for enlargement of time to Docket Appeal, which is in words and figures as follows:

[fol. 78] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

APPLICATION FOR ENLARGEMENT OF TIME TO DOCKET APPEAL—
Filed Dec. 8, 1922

To the Honorable Kimbrough Stone, Circuit Judge; Thomas C. Munger and Martin J. Wade, District Judges, sitting in the District Court of the United States in and for the Southern District of Iowa under the provisions of Chapter 266 of the Judicial Code, and to each of said Judges:

The above named Complainant respectfully shows to the Court that on November 10th, 1922 it entered an Order in the above entitled cause, denying its Application for an interlocutory injunction in accord with its bill filed herein, and that upon the same day upon petition for appeal and assignment of errors duly

filed, an appeal was allowed to the Supreme Court of the United States, pursuant to the provisions of Chapter 263 of the Judicial Code, under which the Court denying the said interlocutory injunction was constituted, and on said day a citation was signed by the Honorable Martin J. Wade, District Judge, returnable within thirty (30) days thereafter.

[fol. 79] That under the provisions of Rule 9 of the Rules of Practice of the Supreme Court, it is the duty of the appellant to docket the said appeal in the Supreme Court of the United States at or before 30 days from the date of the filing of said citation by filing the record therein, unless the time is before its expiration enlarged by the Court or one of the Judges sitting therein.

The Complainant further respectfully shows to the Court that 30 days from November 10th is not sufficient time for this Complainant and Appellant to prepare the record in accordance with Rules 75 and 76 of the Equity Rules and Rule 8 of the Rules of Practice of the Supreme Court, even though it had been diligent in the preparation thereof.

Complainant shows to the Court that immediately on November 10th, upon which date the Order denying the interlocutory injunction was entered and the appeal allowed, it ordered from the Reporter a transcript of the record made in said case and immediately employed extra help for the purpose of preparing copies of Exhibits introduced upon the hearing, and since that date the work of the preparation of the record has been constant and continuous.

That there was introduced into the record upon the hearing, a number of books constituting annual reports of the Railroad Commission, much of which was immaterial to the issues presented upon the hearing upon plaintiff's application and requires, in order to conform to the Rules above referred to, the selection of such items as may be material to the issues presented upon the hearing and to be presented upon the appeal, as well as a great volume of documentary evidence, which, for the purpose of preparation of the record upon appeal, it is necessary to re-produce.

[fol. 80] Wherefore, your Complainant asks that an Order be entered, enlarging the time within which it must docket its appeal to January 10th 1923.

(Sgd.) Ralph M. Shaw, (Sgd.) Clifford V. Cox, (Sgd.)
Donald Evans, Solicitors for Complainants.

STATE OF IOWA.

Polk County, ss:

I, Donald Evans, being first duly sworn, upon oath depose and say that I am one of the Solicitors for the Complainant in the above entitled cause; that I have read the foregoing Application for Enlargement of Time to Docket Appeal and that the matters and things therein stated are true and correct as I verily believe.

(Sgd.) Donald Evans

Subscribed in my presence and sworn to before me by the above named Donald Evans this 4th day of December, 1922.

(Sgd.) N. E. Liljequist, Notary Public in and for Polk County, Iowa. (Seal.)

[File endorsement omitted.]

[fol. 81] And thereafter to wit: On the 8th day of *Decembered*, A. D. 1922, there was filed in said cause an Order enlarging time for docketing appeal which is in words and figures as follows:

[fol. 82] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ORDER ENLARGING TIME—Filed Dec. 8, 1922

Now on this 5th day of December, 1922, the matter came on for hearing upon the application of the complainant for enlargement of time to docket appeal from an order denying an interlocutory injunction in the Supreme Court of the United States. And the court being fully advised in the premises,

It is ordered that the time for docketing the said appeal be enlarged in accord with the prayer of the application of complainant on file, until January 10, 1923.

(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 83] And thereafter to wit: On the 13th day of December, A. D. 1922, there was filed in said cause a Stay Bond which is in words and figures as follows:

[fol. 84] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

STAY BOND—Filed Dec. 13, 1922

Know all men by these presents:

That we, the Chicago Great Western Railroad Company, as Principal, and National Surety Company, as Surety, are hereby held and firmly bound unto the above named defendants in the penal sum of \$50,000.00.

The condition of this Bond is such that if the Complainant shall pay taxes at the rate of levy established for the tax year 1922 upon any assessment of its property or ratable portion thereof in any taxing district, the use of which may be finally determined to be legal in this case, together with penalties and interest, if any, as provided by the laws of the State of Iowa, or amounts equal thereto as the Court may direct, and also pay all costs and damages which may hereafter be adjudged against it in this proceeding in this court, then this obligation to be void, otherwise to remain in full force and effect.

[fol. 85] Witness our hands this 11th day of December, 1922.
Chicago Great Western Railroad Company, Principal, By
Carr, Cox, Evans & Riley, Its Attorneys, National Surety
Company, Surety, By John L. Petty. [Seal.]

[File endorsement omitted.]

[fol. 86] And thereafter to wit: On the 2nd day of January, A. D. 1923, there was filed in said cause a Stipulation and Precipe, which is in words and figures as follows:

[fol. 87] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

STIPULATION—Filed Jan. 2, 1923

It is hereby stipulated by the parties to the above entitled cause that the within Precipe, with Exhibits attached thereto, was served upon the Solicitors for defendants before the filing thereof, and that the record therein designated may, without further notice, be certified by the Clerk as a true and complete record in said cause.

Dated this 2d day of January, 1923.

Ralph M. Shaw, Walter H. Jacobs, Clifford V. Cox, Wm.
F. Riley, Donald Evans, Solicitors for Complainant. Ben
J. Gibson, Bruce J. Fleck, Solicitors for Defendants.

[fol. 88] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

PRECIFE—Filed Jan. 2, 1923

To Clerk of the District Court of the United States, Southern District of Iowa, Central Division:

In making transcript of the record upon appeal of the above cause, please include the following therein, and none other:

Bill of Complaint;
 Supplemental Bill of Complaint;
 Restraining Order;
 Defendants' Resistance to issue of Preliminary Injunction;
 Complainant's Exhibits 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 13, 14, 19
 and 20;
 Defendants' Exhibits B-1 to E-12, inclusive, H, J, L-1, M, N, O,
 P, Q, R, S, the title page of Exhibits T-1 to T-12 and page 9 there-
 from; in the form as attached hereto as Exhibit "T"; from Exhibits
 V-1 to V-8 the tables showing stocks and bonds and income as shown
 in sheets attached hereto as Exhibits V-1 and V-2; Exhibit "W"—
 Copies of all Exhibits being attached hereto;
 Order allowing Record;
 Order denying Preliminary Injunction;
 [fol. 89] Opinion of the Court;
 Petition for Appeal and Assignment of Errors;
 Order allowing Appeal;
 Order Enlarging Time for Docketing Appeal;
 Supersedeas Order entered December 7th, 1922;
 Supersedeas Bond;
 Precept;
 Stipulation of Parties.

Ralph M. Shaw, Walter H. Jacobs, Clifford V. Cox, Wm. F.
 Riley, Donald Evans, Solicitors for Complainant.

[fol. 90] And thereafter to wit: On the 2nd day of January, A. D. 1923, there was filed in said cause an Order which is in words and figures as follows:

[fol. 91] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTH-
 ERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ORDER OF EXHIBITS—Filed Jan 2, 1923

It is hereby ordered that all Exhibits designated as 1 to 20 on be-
 half of Complainant and A to Z on behalf of defendants be, and
 the same are, hereby allowed as part of the record in said cause.
 (Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 92] CLERK'S CERTIFICATE

UNITED STATES OF AMERICA,
Southern District of Iowa, ss:

I, N. F. Reed, Clerk of the District Court of the United States for
 the Southern District of Iowa, hereby certify the 91 foregoing pages

to contain a full, true and complete transcript of the record of the case of The Chicago, Great Western Railroad Company, complainant, vs. Nathan E. Kendall, Governor of the State of Iowa, et al., Defendants, as called for by the Stipulation of Counsel and the Designation of parts of the record filed January 2, 1923, by Appellant, as full, true and complete as the original thereof now on file and of record in office in the City of Des Moines, in said District.

I further certify that I transmit herewith as part of the original printed transcript Exhibits and parts of Exhibits as called for by the Stipulation of Counsel and the Designation of parts of the record filed January 2, 1923, by Appellant, and which are true copies of the original Exhibits.

I further certify that I transmit herewith as part of the original printed transcript the original Citation with acceptance of service thereof by Attorneys for Appellees.

In witness whereof, I hereunto set my hand and affix the seal of said Court at office in the City of Des Moines, in said District, this sixth day of January, A. D. 1923.

S. F. Reed, Clerk U. S. District Court, Southern District of Iowa. [Seal of the U. S. District Court, Southern District of Iowa.]

[fol. 93]

EVIDENCE: EXHIBIT No. 1

[fol. 94] *Report of the Special Tax Commission (Appointed May, 1911) to the Governor of Iowa*

1912

Authorized by Chapter 204 of the Acts of the Thirty-fourth General Assembly

Des Moines

Emory H. English, State Printer

1912

[fol. 95]

Letter of Transmittal

Honorable B. F. Carroll, Governor of Iowa.

SIR: The Special Tax Commission appointed by you in May, 1911, under the provisions of Chapter 204 of the Acts of the 34th General Assembly, by virtue of which said Commission was authorized to examine into the subject of taxation and the tax laws of the State of Iowa and other states, and to make recommendations for the improvement of the tax laws of the State of Iowa, having com-

pleted its work, submit herewith its report for your consideration and transmission to the General Assembly.

Dated October 8, 1912.

M. H. Cohen, Chas. N. Voss, A. C. Ripley, B. E. Stonebraker,
J. H. McCoulogne, Commissioners.

[fol. 96]

Preface

In response to a demand which had become quite general throughout the state for a revision of the tax laws, the 34th General Assembly passed a law authorizing the Governor to appoint a Special Tax Commission of five members to investigate the revenue laws of Iowa and of other states and report its findings to the Governor for the use and consideration of the 35th General Assembly, together with a bill or bills to carry out its recommendations. An appropriation of \$10,000 was made for this important work.

On May 17, 1911, Governor B. E. Carroll announced the membership of the Commission as follows: Mr. M. H. Cohen of Des Moines, Mr. C. N. Voss of Davenport, Mr. A. C. Ripley of Garner, Mr. B. E. Stonebraker of Rockwell City, and Mr. J. H. McCoulogne of Mason City. At the first meeting, held July 6, 1911, Mr. Cohen was elected President, and Mr. Voss, Vice-president, of the Commission; and at a subsequent meeting on August 2nd, Mr. J. E. Brindley of Ames was appointed to act as Secretary.

Since the time of its organization, the Commission has held twenty-one meetings and has been in session fifty-five days. Sixteen meetings have been held at the State House in the City of Des Moines, one at Richmond, Virginia, during the sessions of the Fifth Annual Conference of the National Tax Association, September 5-7, 1911, and the others at Davenport, Iowa, April 9-10; Topeka, Kansas, April 29-30; and Sioux City, Iowa, June 5-6, 1918. The Commission decided to go to Kansas and make a special study of the practical working of the county assessor and tax commission system of that state; first, because Kansas is a neighboring state where conditions are to some extent much the same as in Iowa; and second, it is generally admitted that the revenue machinery of that state is now being administered with as much success as in any commonwealth of the Union. Members of the Commission also visited Minnesota, [fol. 97] Colorado, Wyoming and California.

In addition to the regular meetings of the Commission, a large part of the detail work has been done through committees. In fact, the original draft of both the county assessor and tax commission bills, which were finally united into one measure, was written by committees appointed by the President of the Commission. The revenue bill, however, including all other reports prepared by committees has been carefully considered by the full membership of the Commission in its regular sessions.

During the numerous meetings of the Commission, three distinct things have been kept in mind; first, the importance of coming into

close touch with the taxpayers in order to ascertain what changes are most desired, and would, therefore, be most likely to meet with the approval of the General Assembly; second, the necessity of making a careful investigation of the tax laws of Iowa and of other states; and third, the work of drafting a revenue bill or bills to put in operation desirable and necessary reforms.

It was primarily for the purpose of determining the views of Iowa taxpayers representing the different economic interests that a session of eight days was held January 10-18th of the current year, which was preliminary to a regular State Tax Conference called by Governor Carroll to meet in Des Moines a few weeks later, on March 20-21. Great interest was manifested throughout the state in the deliberations of this Conference. Seventy-four counties and four educational institutions were represented, with two hundred eighty-one official delegates. More than a hundred other taxpayers were present at part or all of the sessions, which means that every section of the state was represented. It was for the same purpose of holding public hearings that meetings were arranged at Davenport and Sioux City, as above indicated.

It is thus apparent that the commission has taken nothing for granted, but has made an earnest effort to study the revenue laws of Iowa and of other states and at the same time ascertain the temper of the public mind regarding various proposed reforms. During all of the public hearings of the Commission, including the State Tax Conference, it has been frankly admitted by nearly every speaker that the primary defect of the present system of taxation is the lack of efficient responsible administration. In fact, it may be stated that the improved machinery of assessment provided for in the proposed revenue bill is in harmony with the best economic thought and most successful experience and is a necessary basis of other fiscal reforms which may appear advisable from time to time as circumstances may require or experience may direct.

No improvements have been suggested in the method of collecting taxes for the reason that it is generally admitted that our revenue system is more efficient along this line than in the work of assessment and equalization. The fact, however, that approximately \$400,000 is lost annually in the form of delinquent personal property taxes, shows that it is possible to place the collection of this particular tax on a more business-like basis.

Other tax problems are mentioned in Chapter V which have not been incorporated in revenue bills for two reasons: first, some important and perhaps necessary changes are impossible under Article VIII, Section 2, of the present constitution and, therefore, require a constitutional amendment; and second, the Commission believes that before certain reforms can be intelligently recommended, a more thorough investigation of all the facts should be made by a permanent state tax board.

In conclusion, the Commission desires to emphasize the importance of a more rigid economy in public expenditures, both state and local. At the present time, more than nine-tenths of the taxes levied in this

state is for local purposes, which means that the people themselves, through their local subdivisions of government, are primarily responsible for the larger part of any increase in the amount of taxation. The purpose of more efficient machinery of assessment and equalization is not to increase or decrease taxes as such, but rather to equalize and properly distribute the public burdens. The universal result, however, of more rigid state and county supervision of local assessment is to place a large amount of property, for the most part of an intangible character, on the assessment rolls, which had formerly made no contribution to the public revenue. In other words, the effect of the establishment of the state tax commission and county assessor plan is to reduce the average amount of taxes on property already listed, provided additional levies are not authorized by the people themselves to support the various functions of government. This being true, any presentation of statistics purporting to show that taxes are higher in certain states having tax commissions than in [fol. 99-107] other states which have not established such boards proves nothing at all, for the obvious reason that the levy of taxes is always a legislative function, vested in the people themselves through their chosen representatives, while the assessment and equalization of property is simply an administrative function exercised by assessors and assessment and equalization boards.

The Commission desires to express its appreciation of the courteous treatment it has received from the state officials for information and statistics furnished, and to extend to such officials the thanks of the Commission for the assistance rendered.

The Commission also wishes to acknowledge the work done by Professor John E. Brindley, Secretary of the Commission, and to accord to him credit for valuable assistance in the preparation of our report.

[fol. 108]

Chapter II

The Present Revenue System and Its Defects

Before any one can be expected to understand clearly the defects of the existing revenue system of this state, he must form in his own mind a definite outline of that system in actual operation. As a necessary supplement, therefore, of the brief historical survey already presented, it seems both logical and desirable to draw a cross section of the present system of assessment and taxation, whereby Iowa now raises more than \$36,000,000 annually for the support of state and local government. Such an outline can be arranged conveniently under the following heads: property subject to and property exempt from taxation; the basis and method of listing or assessment; the administrative machinery of assessment and equalization or review for general property; the assessment of various public service corporations, the levy and collection of taxes; and finally, certain special forms of taxation.

It is a well established principle of law that taxation is the rule, and exemption from taxation the exception. In fact, tax exemption

The tax thus levied and collected is in lieu of all other taxes, except on real estate and personal property locally assessed, and is collected by the State Treasurer.

We come next to the all important problem of administration. The administrative machinery of assessment and taxation may be very briefly outlined. All property in the state subject to ad valorem taxation, except the property of certain public service corporations as above outlined, is listed by local assessors in the civil townships, towns and cities of the state. There are more than two thousand local assessors, and, with the exception of a few cases in the cities, they are elected biennially by the people. The work of [fol. 114] these assessors commences on the second Monday in January, and must be completed by April first. In a very real sense, this important work forms the basis of our revenue system, which is no better and no worse than the hopelessly decentralized and inefficient system of local assessment established in 1858 and which has continued to the present time.

After the completion of the assessment and the making of the assessment rolls, the work of review or equalization by local boards follows. The assessment rolls are required to be laid before the local board of review on or before the first Monday in April, it being made the duty of the township trustees or town or city council or commission to meet and adjust individual assessments in such manner as to secure the listing of all taxable property at its actual value. This important work, commenced on the first Monday of April, must be completed not later than the first day of May, and represents the only means of correcting individual assessments now provided for by the revenue laws of this State.

Local review is followed by county review, which is vested in the county board of supervisors, it being made the duty of said board at their regular meeting in June to adjust the assessments of the several townships, cities and towns of their county by adding to or deducting from the assessed value of the property in the same manner that the State adjusts assessments of the several counties of the State. In other words, county boards of supervisors may increase or decrease the aggregate assessment of a minor civil division, but are not clothed with authority to correct individual assessments. Finally, on the basis of reports submitted by the various county auditors to the State Auditor and by the State Auditor to the Executive Council, it is made the duty of the latter to act as a State Board of Review. Sitting in this capacity, the Executive Council may increase or decrease the aggregate assessed value of any county of the State and in fact may increase the total aggregate assessed value of the entire State. The council, however, the same as the county board of review, has no authority to correct individual assessments.

The making out of the tax list by the county auditors, filing of the same with the county treasurers, furnishing the Auditor of State with a certified statement "showing separately the aggregate full and taxable valuation of the real and personal property in the county, [fol. 115] and also the aggregate amount of each separate tax as

shown by the tax list,"¹ the levy of taxes in the various sub-divisions of government, the collection of taxes by the county treasurers, with the exception of the inheritance tax, insurance taxes and the tax on freight line and equipment companies which are collected by the State Treasurer, completes in general outline the machinery of assessment and taxation which now prevails in Iowa.

At the basis of the fiscal pyramid, we have the work of more than two thousand local assessors and the correction of individual assessments by local review boards composed of more than six thousand officials. Add to this long list the county boards of supervisors, county treasurers and auditors and the State Executive Council and we have an army of assessment and taxation officials composed of about ten thousand men without any central supervision or control either in the county or State.

It should be noted especially that the only authority which has power to correct errors made by the local assessors is the local board of review of which there are from eighteen to thirty in the average county of Iowa. This means that the township or other minor civil division is the important unit of local government from the standpoint of assessment on the one hand and the review or correction of individual assessments on the other. The county board of supervisors under such a system is absolutely powerless to bring about anything approaching uniformity among the minor subdivisions of a county. In fact, no adequate authority is now provided in the revenue laws of Iowa whereby the county is able to guarantee uniformity of assessment within its borders. For these and other reasons the Executive Council, acting as a State Board of Review, is not able to bring about uniformity of assessment as between the various counties of the State without doing great injustice to many individual taxpayers. The necessity of having uniformity as between the minor subdivisions of the county and at the same time among the various counties of the State is the basis of the recommendation of this Commission that a county assessor or supervisor of local assessments and a permanent State tax commission be created.

Having outlined what we believe to be an antiquated system of assessment and taxation, which in some measure is borrowed from the territorial period and has continued in force since 1872, substantially [fol. 116] in its present form, we will not consider the success or failure of the plan itself in actual operation. For this purpose, we have prepared and herewith submit the following table of statistics.

Table I represents the total amount of taxes levied for State and local purposes in Iowa from 1873 to 1911, thus showing the rapid and constant increase of the cost of State and local government. It appears that the total revenue for all purposes amounted to only \$9,360,451.79 in 1873; \$10,457,982.14 in 1880, as compared with \$15,563,974.05 in 1890; \$19,726,789.80 in 1900; \$27,550,669.84 in 1907; and \$36,197,221.58 in 1911. This enormous increase of public expenditures especially in recent years is primarily responsible

¹ Revenue Laws of Iowa, 1911, p. 96.

for the popular interest now being taken in the important subject of assessment and taxation. If the people of Iowa are to raise more than \$36,000,000 annually for the support of State and local government, which is practically double the amount levied only twelve years ago, it is highly important that this burden should be equally distributed among the taxpayers, both as to individuals and corporations. Thus with the constantly increasing public burdens, uniformity of assessment, which is the necessary basis of equality in taxation, has become more and more imperative.

[fol. 117]

TABLE I^a

Total Amount of Taxes Levied for State and Local Purposes, 1873-1911

Year	Amount	Year	Amount
1873	\$9,360,451.79	1893	\$18,297,197.51
1874	9,574,408.07	1894	18,197,483.75
1875	10,288,721.77	1895	18,785,907.49
1876	10,699,762.39	1896	18,581,429.67
1877	10,561,694.89	1897	18,353,994.81
1878	10,763,602.57	1898	18,692,480.60
1879	10,146,041.04	1899	18,891,742.78
1880	10,457,982.14	1900	19,726,789.80
1881	11,183,576.21	1901	20,600,044.23
1882	12,201,493.69	1902	22,542,580.45
1883	13,261,251.27	1903	25,657,913.58
1884	13,978,912.62	1904	25,693,543.33
1885	14,430,547.40	1905	26,061,977.03
1886	14,953,050.65	1906	26,333,163.31
1887	14,278,817.31	1907	27,550,669.81
1888	14,732,286.34	1908	29,248,378.54
1889	15,483,328.74	1909	30,747,416.51
1890	15,563,974.05	1910	32,500,045.88
1891	16,043,081.44	1911	36,197,221.58
1892	16,889,671.34		

One additional point should be suggested with reference to Table I. We refer to the comparative amounts of State and local revenue. In 1873, the taxes raised by the State represented approximately one-tenth of the total revenue of \$9,360,451.79. In 1880, there was a State levy of about \$1,000,000 as compared with the levy for State and local purposes of \$10,457,982.14. In 1885, the total revenue was more than twelve times the State levy, which is approximately the ratio prevailing at the present time. Indeed, the burden of taxation has always been largely a local burden, and, therefore, if uniformity of assessment is a necessary basis of State levies, it is vastly more essential when judged from the more important standpoint of local taxation.

^a Data compiled from the Reports of Auditor of State.

Table II gives the total and per capita assessed valuation for certain years from 1856 to 1900 inclusive. In 1856, when Iowa was for the most part a pioneer State with a population of 517,878, the assessed [fol. 118] valuation was \$164,394,413.00 or \$317.44 per capita. In 1875, when the population had reached 1,350,553, the per capita assessed valuation had fallen to \$293.52; and in 1885, with a population of 1,753,980, there was a per capita assessed valuation of only \$279.17. Finally, it should be noted that the per capita assessed valuation, which in 1857 reached the large sum of \$373.13, was only \$241.83 in 1900 and \$311.59 in 1910.

TABLE II

Total and per Capita Assessed Valuation

Years	Population	Assessed Valuation	Valuation Per Capita
1856.....	517,875	\$164,394,413	\$317.44
1857.....	562,930	210,044,533	373.13
1859.....	641,628	197,823,350	308.31
1861.....	685,713	177,244,316	251.19
1863.....	701,093	167,108,974	238.35
1865.....	756,427	215,063,401	284.31
1867.....	902,317	256,517,184	284.28
1869.....	1,045,025	294,532,252	281.84
1871.....	1,217,900	348,642,728	286.26
1873.....	1,251,340	369,124,912	294.98
1875.....	1,350,553	395,428,140	293.52
1877.....	1,445,900	404,670,044	279.87
1879.....	1,541,000	405,541,397	262.14
1881.....	1,660,000	419,102,728	252.47
1883.....	1,700,000	463,824,466	272.83
1885.....	1,753,980	489,660,081	279.17
1890.....	1,911,896	523,861,858	273.47
1900.....	2,231,853	539,737,596	341.83
1910.....	2,224,771	693,211,177	311.59

With reference to this relation between the growth of population and increase of assessed valuation, the Auditor of State in 1885 made the following significant statement:

"The total equalized valuation of property is \$489,660,081. That this figure very inadequately represents the wealth of the state needs no argument to establish. It is palpable. No observing person will contend that the state's growth in population until it now contains one and three-fourths millions of people within its borders, has not been accompanied with a much greater increase in wealth, both aggregate and productive. Yet the figures of the assessors would indicate far otherwise. * * * These figures show that, while the population of the state has increased in the last twenty-nine years

238 per cent, the assessed valuation of property has been raised only 198 per cent."¹⁶

[fol. 119] The obvious reason for this decrease in per capita assessed valuation in spite of the fact that the wealth of Iowa has increased more rapidly than the population is apparent. From a consideration of Table III, which gives the actual and assessed value of taxable property for the years 1850, 1860, 1870, 1880, 1890, 1900 and 1904, it appears that in 1850 the revenue system was fairly well adapted to the pioneer conditions of that time when practically all property was visible and consisted of real estate. The assessed value as given in the Report of the Auditor of State was nearly 100 per cent of the actual value as shown by the Federal Census Report. It will be observed, however, that the assessed value has declined very rapidly. While the census figures of actual valuation for 1910 are not yet available, it is a matter of common knowledge, in fact, is generally admitted, that property on an average is now being listed at approximately one-half of its value and assessed at one-fourth of that sum.

TABLE III¹⁷*Actual and Assessed Value of Taxable Property 1850-1904*

Date	Actual value	Assessed value	Per cent
1850.....	\$23,714,638	\$22,623,334	95
1860.....	247,338,265	185,000,000	75
1870.....	574,115,800	294,532,252	51
1880.....	1,721,000,000	409,819,020	23
1890.....	2,226,117,151	523,862,858	23
1900.....	3,271,559,959	539,737,596	13
1904.....	3,943,314,927	612,445,336	16

Table IV gives statistics of average assessed value by counties and has been compiled from data received from the county recorders and county treasurers of the state.

¹⁶ Report of Auditor of State 1885, p. 128.

¹⁷ Data compiled from the Federal Census Reports for actual valuation and from the Reports of the Auditor of State for assessed valuation.

[fol. 120]

TABLE IV¹⁸*A Study of Assessment by Counties*

Name of county	No. of transfers	No. of acres	Sale value	Taxable value	Per cent of taxable to sale value
Adair	47	5,753	\$512,144	\$56,952	11
Adams	34	3,400	306,131	36,065	11
Andubon	50	5,808	706,981	74,525	11
Black Hawk	26	3,546	341,276	35,537	10
Boone	37	3,335	352,085	43,305	12
Bremer	24	.....	154,308	20,240	13
Carroll	32	3,110	381,100	37,664	10
Calhoun	42	.....	486,983	55,515	11
Cass	17	1,797	191,954	22,195	11
Cerro Gordo	38	4,984	391,773	53,371	11
Cherokee	37	.....	486,345	41,648	8
Clay	24	3,355	294,363	31,951	10
Clayton	27	2,049	134,569	14,378	10
Clinton	40	4,038	414,583	49,400	11
Crawford	22	.....	309,128	41,187	13
Davis	36	2,940	188,385	28,101	14
Decatur	43	6,194	399,157	53,059	13
Dubuque	24	2,326	224,580	31,904	14
Emmet	48	7,301	490,521	71,928	14
Floyd	24	2,646	233,420	29,647	12
Fremont	23	2,793	258,175	26,480	10
Greene	44	6,183	679,255	65,849	10
Grundy	35	.....	685,872	70,713	10
Hancock	48	8,758	657,345	69,054	11
Hardin	19	.....	305,332	35,979	11
Harrison	24	.....	288,870	42,229	14
Humboldt	49	.....	436,333	79,491	11
Jefferson	25	2,891	331,446	36,617	11
Juniata	5	365	44,200	7,050	15
Louis	29	.....	213,087	23,421	10
Lyon	28	4,713	369,526	50,267	13
Marion	40	3,632	346,484	47,593	11
Marshall	47	.....	704,879	86,176	12
Mitchell	19	3,520	289,059	32,793	11
Montgomery	44	.....	708,376	78,398	11
Muscatine	22	2,082	217,280	31,790	10
[fol. 121]					
O'Brien	49	7,364	795,507	88,028	11
Page	44	4,580	696,165	72,478	10
Palo Alto	39	5,638	475,761	53,052	11
Plymouth	48	6,014	693,404	68,326	10
Pocahontas	44	8,100	778,554	94,006	12
Polk	29	2,480	260,625	40,825	15
Pottawattamie	24	2,843	343,481	37,200	11
Poweshiek	44	5,420	743,675	75,632	10
Ringgold	43	4,077	292,385	42,200	15

¹⁸ It will be understood that the listed value and per cent of listed to sale value of farm lands is four times the taxable value and per cent of taxable to sale value as given in this Table, and also Tables VIII-XII. In other words, where the taxable value is 13 per cent of the sale value as given in the last column of said tables, it means that said land is now being listed by the assessor at 52 per cent of what it would bring on the market in the ordinary course of trade.

Name of county	No. of transfers	No. of acres	Sale value	Taxable value	Per cent of taxable to sale value
Sac	43	.....	582,893	62,745	11
Sioux	36	4,375	606,540	59,795	10
Story	42	.....	655,427	68,339	15
Taylor	48	.....	465,189	45,588	10
Van Buren	27	2,386	149,810	.....	15
Washington	25	2,428	349,549	45,458	13
Wayne	34	3,372	226,160	31,348	13
Webster	39	4,446	379,962	51,180	13
Winnebago	22	.....	172,512	26,238	15

This Commission sent out blank forms, to the county recorder in order to ascertain the sale value of farm lands well distributed over the county. No tracts of less than forty acres were included and instructions were given that all sales should be omitted that were clearly based on a nominal or fictitious consideration. In this blank, nothing was said about taxable values; but when the sale value of said pieces of land was obtained, the descriptions of such tracts were placed on a separate blank and sent to the county treasurer, with a request that he place opposite the description of each tract the taxable value thereof. In this way the Commission secured more reliable data than would have been obtained by asking for it all on one blank, for the obvious reason that many county officials might be anxious to make the best possible showing for their own county.

While we were obliged to secure data of assessed and sale value through the co-operation of county officials, it is believed for reasons above suggested that the results are reasonably accurate and sufficient for the purposes of the Commission. Other states like Wisconsin, Minnesota, and Kansas have made a much more comprehensive study of assessed and sale value but this has been done by permanent tax commissions, granted sufficient appropriations and possessing all the [fol. 122] necessary time to do the work on a thorough, scientific basis.

A glance of Table IV which gives the number of transfers, number of acres sold, sale value, taxable value, and per cent of taxable to sale value in more than one-half of the counties of the state, shows that the taxable value of Iowa lands is approximately 12 per cent of the sale value. This means that the listed value of farm lands is slightly less than half of the sale value according to the statistics returned by the county recorders and county treasurers. It also appears that the average assessed value ranges from about 10 per cent in Carroll, Plymouth and Sioux counties to 13 per cent in Crawford, Decatur, Lyon and Washington, and 15 per cent in Polk, Ringgold, Taylor and Winnebago. In other words, Table IV shows, a very decided under-assessment of farm lands, and also substantial inequalities in the average assessed value of this class of property as between the various counties of the state. While it is not contended that this data is absolutely correct, it should be stated that the results check up fairly well with other sources of information along similar lines.

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In 1909, the Executive Council sent out blanks in order to ascertain the actual and assessed value of farm lands in the various counties of the state, said information to be used as a basis of review of equalization of aggregate county assessments, and at the same time to enable the Council to form a more accurate judgment as to the comparative assessed valuation of farm lands and railroad property. Table V gives the information along this line which was secured by the Secretary of the Executive Council. In fact, this table gives the per cent of assessed to sale value both in 1903 and 1909, the same being the only dates when information of this character was secured.

(Here follows Table V, marked side folio pages 123 and 124.)

On May 3, 1903, the Secretary of the Executive Council addressed the following letter to all county auditors:

"The Executive Council having determined that it is desirable that data be gathered relative to the actual value of lands and other property in the several counties of the state, I am directed by the governor to request, under the authority of Section 544 of the Code, that you furnish during the current month a list of lands that have been conveyed in your county between the dates May 1, 1908, and May 1, 1909, by deeds, representing the real sale value thereof, together with the actual values placed upon the same by the several assessors and as equalized by the township and county boards of equalization. [fol. 125] In selecting the tracts, endeavor to select tracts from each township of the county, if possible. Select tracts of 160 acres or more in preference to smaller tracts, and in no case select tracts of less than 40 acres. Do not report more than six descriptions in the same township nor more than an average of three for all the townships of the county. Discard transfers based on contracts made prior to 1908, where you can determine the fact from the conveyance or from information in your possession. Discard quit claim deeds and all other deeds that for any reason do not represent the actual value or present value. With this letter will be sent a printed form for the land transfers."

While the data thus collected may be incomplete the same as similar data collected by this Commission, it represents fairly well the actual conditions now prevailing in Iowa. In 1903, the ratio of assessed to sale value was as follows in selected counties: Adair, 63 per cent; Adams, 87 per cent; Appanoose, 91 per cent; Monona, 65 per cent; Polk, 93 per cent; and Warren, 100 per cent. In the same list of counties the ratio of assessed to actual sale value was as follows in 1909: Adair, 52 per cent; Adams, 52 per cent; Appanoose, 75 per cent; Monona, 57 per cent; Polk, 57 per cent; and Warren, 69 per cent. Two conclusions are apparent from a study of this table: first, that the assessed valuation decreased very materially, the general average being eighty per cent in 1903, as

[illegible]

[illegible]

County	Per cent	County	Per cent
Clay	7 ¹ / ₂	Ida	7 ¹ / ₂
Clayton	17 ¹ / ₂	Iowa	15
Clinton	17 ¹ / ₂	Jackson	17 ¹ / ₂
Crawford	22 ¹ / ₂	Jasper	7 ¹ / ₂
Dallas	7 ¹ / ₂	Jefferson	12 ¹ / ₂
Davis	12 ¹ / ₂	Johnson	10
[fol. 129]			
Jones	10	Polk	7 ¹ / ₂
Keokuk	10	Pottawattamie	7 ¹ / ₂
Kossuth	12 ¹ / ₂	Poweshiek	12 ¹ / ₂
Lee	12 ¹ / ₂	Ringgold	22 ¹ / ₂
Linn	7 ¹ / ₂	Sac	12 ¹ / ₂
Louis	12 ¹ / ₂	Scott	7 ¹ / ₂
Lucas	17 ¹ / ₂	Shelby	22 ¹ / ₂
Lyon	17 ¹ / ₂	Sioux	17 ¹ / ₂
Madison	22 ¹ / ₂	Story	10
Mahaska	17 ¹ / ₂	Tama	7 ¹ / ₂
Marion	12 ¹ / ₂	Taylor	17 ¹ / ₂
Marshall	7 ¹ / ₂	Union	7 ¹ / ₂
Mills	10	Van Buren	7 ¹ / ₂
Mitchell	10	Wapello	7 ¹ / ₂
Monona	12 ¹ / ₂	Warren	17 ¹ / ₂
Monroe	17 ¹ / ₂	Washington	15
Montgomery	12 ¹ / ₂	Wayne	7 ¹ / ₂
Muscatine	7 ¹ / ₂	Webster	12 ¹ / ₂
O'Brien	17 ¹ / ₂	Winnebago	22 ¹ / ₂
Oscola	17 ¹ / ₂	Winneshiek	17 ¹ / ₂
Page	7 ¹ / ₂	Woodbury	7 ¹ / ₂
Palo Alto	17 ¹ / ₂	Worth	10
Plymouth	22 ¹ / ₂	Wright	15
Pocahontas	7 ¹ / ₂		

This Commission has no criticisms to offer concerning the action of the Executive Council in making the increased assessments above outlined; nor does the Commission pass any judgment as to the equity of the increase made by the Council in any county or group of counties. Indeed, the more one investigates the tax question in general, the less he is inclined to criticize any particular official or board, beginning with the local assessor and ending with the State Board of Review, and the more he is compelled to realize that the primary fault is with the system itself, which by its provisions is almost entirely *ex officio* in its personnel, and, therefore, inefficient in its actual operation.

The equalization made in 1911 by the Council, or any equalization in the past or which may be made in the future, is open to most serious criticism under the existing revenue system for the following definite reasons: No trustworthy data can be secured through public channels at the present time, affording easy comparison as between assessed and sale value of farm lands; the same

[fol. 130] is true regarding town lots; and the assessment of the railroads and similar public service corporations is based on reports required to be submitted to the Council, the correctness of which they have no personal knowledge. This being the case, the work of review or equalization, first by the county boards of supervisors, and later by the Executive Council, must be very unsatisfactory and will continue to be so until adequate revenue machinery is provided similar to that outlined in the bill drafted by the Commission.

It should be one of the important duties of the county assessor to collect statistics of sale values, both of farm lands and town lots. Moreover, it should be one of the important functions of a permanent tax commission to make a complete inventory of all the property of the so-called public service corporations in order to form some intelligent idea as to whether or not that class of property is being assessed higher or lower than farm lands on the one hand or city property on the other. The equalization made in 1911 would tend to show that statistics of this kind are desirable to secure an equitable distribution of the public burdens, and that owners of all classes of property will be benefited by creating the office of county assessor and a permanent tax commission in order to obtain the necessary information on which to base a more accurate and trustworthy review of assessments.

Tables III to XII, inclusive, give the taxable and sale value of individual tracts of real estate well distributed over the following counties: Adair, Boone, Cerro Gordo, Hancock and Wayne. The under-valuation of property already outlined and the absence of adequate information on which to compare the assessed values of farm lands and city property with that of public service corporations in making equalization by the Executive Council, while a serious defect, is by no means the most important one in the present revenue system. Inequalities between various classes of property are undesirable and should be removed by a more efficient system of assessment and equalization, but the most serious objection, however, lies behind and deeper than the mere question of comparative aggregate assessments of taxing districts or of different forms of property. We refer to the inequalities between individual property holders whether persons or corporations.

[fols. 131-148]

TAX COMMISSION REPORT

TABLE VIII

Adair County

No. of transfers	Acres	Sale value	Taxable value	Per cent of taxable to sale value
1	80	\$8,800	\$836	9.5
2	80	5,000	724	14
3	160	24,000	2,294	10
4	40	3,500	357	10

No. of transfers	Acres	Sale value	Taxable value	Per cent of taxable to sale value
5	80	4,800	633	13
6	200	12,000	1,163	10
7	80	4,950	871	18
8	160	10,000	1,764	18
9	80	7,200	642	9
10	160	22,500	1,650	7
11	254	20,170	2,324	12
12	160	16,000	1,650	10
13	80	7,600	792	10
14	160	11,000	1,466	13
15	83	6,200	862	14
16	160	11,400	2,016	14
17	40	2,200	391	18
18	240	24,000	2,105	9
19	80	6,500	719	11
20	160	11,200	1,485	13
21	81	8,000	846	11
22	160	12,000	1,476	12
23	180	4,800	633	13
24	73	9,700	948	10
25	160	17,600	1,557	9
26	160	15,100	1,559	10
27	80	5,600	792	14
28	80	7,200	881	12
29	80	5,200	724	18
30	100	11,500	1,140	10
31	80	6,800	705	11
32	160	8,800	1,175	13
33	84	7,824	732	9
34	160	15,600	1,569	10
35	160	12,000	1,557	13
36	160	16,000	1,650	10
37	141	16,200	1,409	9
38	40	5,000	550	11
39	160	13,760	1,650	12
40	80	8,800	995	11
41	80	7,000	719	10

[fol. 149]

Chapter IV.

The County Assessor and Tax Commission System

The necessity of providing some efficient plan of state and county supervision of local assessment including the assessment of public service corporation, is based upon the following important considerations:

Low Assessment

By making a careful comparative study of actual valuations as given in the report of the Federal Census and assessed valuations to be found in the report of the Auditor of State, the Commission has discovered that in 1850 property was being listed for taxation at approximately its entire sale value. At the present time, it is being listed at about one-half of its sale value and assessed at one-fourth of that amount.

In this connection, it should be stated that political economists and tax administrators almost universally agree that while it is theoretically possible, it is practically impossible to secure uniformity of assessment, and, therefore, equality of taxation, except on the basis of actual value. The moment a fractional basis is introduced, tax rates will be increased in the same proportion and a different valuation will be given to each individual or class of property being listed for taxation. Indeed, the idea that all property subject to ad valorem taxation should be listed at its actual value is recognized by law in every state except Alabama, and may also be found in every revenue law that has been adopted by the General Assembly of Iowa. The fact that in forty-seven states, property is required by law to be listed at its actual value, shows that assessment at actual value is generally considered fundamentally sound and the only practicable means of securing [fol. 150] equality of taxation, and the additional fact that in this state the machinery of assessment and equalization has been absolutely unable to realize this ideal, but has departed farther and farther from it, furnishes one of the strongest arguments in support of the proposal to create the office of county assessor and, at the same time, establish a permanent state tax commission.

Inequalities of Assessment

Low assessment or under-valuation of property, however, is not the most important defect in the working of the present revenue system in this state. As already stated, it is theoretically possible to secure equality of taxation on the basis of fractional assessment. For example, if all property were listed at one-tenth of its value, the only effect would be to multiply tax rates in the same proportion, granting that the same amount of money was raised for the support of schools, the building of roads and bridges and other legitimate functions of government.

Uniformity, however, has been the exception and inequality the rule, wherever under assessment has prevailed. In this state, a study of assessed and actual values on the basis of the sale method shows that inequalities exist, even in the listing of farm lands. An investigation of more than sixty counties shows that some farms are now being listed for taxation at double, and even three times, the amount of other farms in the same county, although having in fact substantially the same value. In other words, some of the farmers of Iowa are bearing from two to three times their just burden of state and local taxation in comparison with their immediate

neighbors. When we come to town lots, and large corporate property, if it is especially of an intangible character, the inequalities are vastly greater, a fact which has been almost universally proved by other tax commissions throughout the United States.

The present Special Tax Commission has not been clothed with the necessary powers, nor has it had sufficient time, to make a complete valuation of the different forms of corporate property. We refer not only to the property of railroads, telephone and telegraph companies, or the so-called public service corporations, but also to industrial corporations and large property holdings in general, whether individual or corporate.

[fol. 151] In this connection, it should be stated that until a complete inventory of the property of public service corporations has been made, and until a more comprehensive investigation of the actual value of rural and city property has likewise been carried on, by county assessors under the supervision of a tax commission or some like authority, any statement as to whether this class of property or that class of property is bearing more or less of its share of the public burden will be mere guess-work. At the present time, no reliable data exists which makes it possible to make any reasonably accurate comparison of the relative burden of taxation now being borne by farm lands, town lots and the property of such corporations.

In 1911, the Executive Council increased the aggregate assessment of farm lands all the way from $7\frac{1}{2}$ to $22\frac{1}{2}$ per cent in the various counties of the state. In fact, the assessed value of farm lands was increased on an average of about $12\frac{1}{2}$ per cent. This was done on the theory that farm lands were being assessed relatively lower than other property.

In this connection, the Commission desires to make only one additional suggestion. We refer to the broad assumption in many quarters that farm lands are being assessed relatively lower than some other classes of property. In fact, an effort has been made, largely for political ends, to draw a line of cleavage between the city and the country. Statistics have been collected for the purpose of showing that town lots are being listed higher than rural property. It should be stated that the only trouble with practically every investigation of this kind is the incompleteness of the same. Every one knows that it is possible to go to the court house records of Polk County or any other county of Iowa and prove that property in the city is being listed at 75 per cent or even 100 per cent of its value. It might also be proved that property is being listed at less than 50 per cent of its value. It all depends upon the property that is being compared.

When all the facts are considered, there should be no point of cleavage between the property owners in the country and in the cities. The sooner the people of Iowa get these matters clear in their minds, the more rapid will be the progress in scientific tax reform legislation. The inequalities in the present revenue system are not confined to any community within the state or to any kind or class [fol. 152] of property. The injustice extends to the small holder of property as well as to the large holder and is a matter of such com-

mon knowledge that many taxpayers, who are otherwise honest, perjure themselves annually in the matter of listing their property for the reason that they know full well that many other property owners are doing likewise. In a word, the present law in its operation tends to debase the public conscience.

Present ex Officio Administration

The low valuation on the one hand and inequality of assessment on the other, already outlined, are the logical results of our present machinery of assessment and equalization, which is almost entirely ex officio in its personnel and, therefore, wholly inefficient in its practical workings. Each local taxing district is a law unto itself. The County Board of Review meets only a short time in June, and the State Board of Review only a few days in July. In fact, important duties are performed in a perfunctory manner which ought to require intelligent and conscientious labor throughout the entire year.

Until the office of county assessor is created there will be no one whose business it is to see that assessments are uniform throughout the county as between individuals, on the one hand, and local subdivisions of government on the other. In like manner, until a permanent tax commission is created, there will be no state board giving sufficient time to the important task of equalizing values between counties, and at the same time listing the property of public service corporations. Reduced to its lowest terms, the chief defect of the present system is faulty administration, which in turn is due, as already suggested, to the planless and ex officio character of our present system of assessment and equalization. There should be a central supervising officer in each county and a central state board giving their full time to this absolutely necessary function of government.

Public Service Corporations

As already stated, one of the important duties of a permanent tax commission is to make a thorough and complete valuation of the property of public service corporations. Until this is done, we will have no way of determining whether farm property or, in fact, any [fol. 153-245] other class of property, is bearing more or less than its just share of the public burden. Practically all statements made along this line in the past are not based on any authoritative information. Under existing conditions, the Executive Council simply does not have the necessary time to make a careful and systematic valuation of this class of property, such as would be made by a permanent state tax board giving a very substantial part of its time to this one problem.

The property of railroads, telephone, telegraph and express companies is so vast in extent and so complex in its character that any hasty valuation made by an ex officio board on the basis of reports submitted by the companies must necessarily be very imperfect and

unsatisfactory. Property which amounts to hundreds of millions of dollars should not be listed for taxation in a mere perfunctory manner, such as must be the case in any state where *ex officio* boards are required by law to do this work. This Commission believes that the magnitude of this task alone is sufficient to warrant the employment of a permanent state tax board. Until this is done any comparison of the relative burden of taxation as between farm lands and railroad property will be largely guess work. Under such a system, public service corporations may be required to pay more or less than their just share of taxation, depending often times upon political influences. The problem, however, of uniform and equitable taxation should never depend upon politics, but upon the honest and efficient administration of law.

* * * * *

[fols. 246 & 247] EVIDENCE: EXHIBIT No. 2

Fourteenth Census of the United States| 1920

Department of Commerce, Bureau of the Census

Bulletin

Agriculture: Iowa

Statistics for the State and Its Counties

Prepared under the Supervision of William Lane Austin, Chief
Statistician for Agriculture

Contents

	Page
Farms and Farm Property.....	1
Explanation of terms.....	3
Number of farms, acreage, and value.....	3
Farms by size.....	4
Farms by tenure.....	4
Farms by sex, race, and nativity of farmer.....	5
Farm mortgages.....	5
Farm expenditures for labor, fertilizer, and feed.....	5
Live Stock on Farms and Elsewhere.....	6
Live-Stock Products.....	7
Crops.....	9

County Tables

I. Farms and farm property, 1920, with selected items for 1910 and 1900.....	12
II. Live stock on farms and ranges, 1920; and live-stock products, 1919	22
III. Domestic animals not on farms or ranges: 1920.....	22
IV. Value of all crops, and acreage and production of principal crops: 1919	32
V. Mortgage debt, 1920; and expenditures for labor, fertilizer, and feed, 1919.....	41

Introduction

This bulletin presents a statement of the statistics of agriculture for Iowa collected at the census of 1920. The statistics of farms and farm property, including live stock, relate to January 1, 1920; those of live-stock products, crops, and farm expenditures are for the calendar year 1919. In order to show the present tendency in agriculture, comparative figures for the census of 1910 are given throughout the bulletin; and to show the general trend of the agricultural industry over a considerable period of time, all general farm information available is presented for the different censuses since 1850.

Farms and Farm Property

TABLE 1—Summary: 1920 and 1910

Item.	1920 (January 1)	1910 (April 15)	Increase	
			Amount	Per cent
Number of all farms.....	213,439	217,044	—3,605	—1.7
Approximate land area of the state..... acres	35,573,040	35,573,040	.....	.....
All land in farms..... acres	33,474,896	33,930,688	—455,792	—1.3
Improved land in farms..... acres	28,606,951	29,491,199	—884,248	—3.0
Woodland in farms..... acres	2,965,274	2,344,115	—621,159	—20.8
Other unimproved land in farms..... acres	2,572,671	2,125,374	—447,297	—17.0
Per cent of land area in farms.....	91.1	93.4	.....	.....
Per cent of farm land improved.....	85.5	86.9	.....	.....
Average acreage per farm.....	156.8	156.3	0.5	0.3
Average improved acreage per farm.....	134.0	135.9	—1.9	—1.4
Value of all farm property.....	\$6,525,570,956	\$6,479,410,412	46,160,544	0.7
Land.....	6,079,020,577	5,891,973,799	187,046,778	3.2
Buildings.....	922,751,713	465,346,042	457,405,671	102.6
Implement and machinery.....	309,172,398	95,477,948	213,694,450	223.8
Live stock.....	61,526,268	39,003,196	22,523,072	36.8
Average value per farm:				
All farm property.....	30,942	17,250	13,692	131.4
Land.....	31,292	12,910	18,382	142.4
Buildings.....	4,323	2,098	2,225	106.1
Implement and machinery.....	1,419	440	1,009	229.3
Live stock.....	2,872	1,811	1,061	58.9

* A minus sign (—) denotes decrease.

To assist in securing comparability for its statistics of agriculture, the Bureau of the Census provided the enumerators with certain definitions and instructions, the more important of which were essentially as given below.

Farm.—A "farm" for census purposes is all the land which is directly farmed by one person managing and conducting agricultural operations, either by his own labor alone or with the assistance of members of his household or hired employees. The term "agricultural operations" is used as a general term, referring to the work of growing crops, producing other agricultural products, and raising domestic animals, poultry, and bees. A "farm" as thus defined may consist of a single tract of land or of a number of separate and distinct tracts, and these several tracts may be held under different tenures, as where one tract is owned by the farmer and another tract is hired by him. When a landowner has one or more tenants, renters, croppers, or managers, the land operated by each is considered a "farm."

In applying the foregoing definition of a "farm" for census purposes, enumerators were instructed to report as a "farm" any tract of 3 or more acres used for agricultural purposes, and also any tract containing less than 3 acres which produced at least \$250 worth of farm products in the year 1919, or required for its agricultural operations the continuous services of at least one person.

Farmer.—A "farmer" or "farm operator," according to the census definition, is a person who directs the operation of a farm. Hence owners of farms who do not themselves direct the farm operations are not reported as "farmers." Farmers are divided by the Bureau of the Census into three general classes according to the character of their tenure, namely, owners, managers, and tenants.

Farm owners include (1) farmers operating their own land only and (2) those operating both their own land and some land hired from others. The latter are sometimes referred to in the census reports as "part owners," the term "full owners" being then used for those owning all their land.

Managers are farmers who are conducting farm operations for the owner for wages or a salary.

Farm tenants are farmers who, as tenants, renters, or croppers, operate hired land only. They were reported in 1920 in five classes: (1) Share tenants—those who pay a certain share of the products, as one-half, one-third, or one-quarter, for the use of the farm but furnish their own farm equipment and animals; (2) croppers—share tenants who do not furnish their work animals; (3) share-cash tenants—those who pay a share of the products for part of the land rented by them and cash for part; (4) cash tenants—those who pay a cash rental, as \$7 per acre of crop land or \$500 for the use of the whole farm; (5) standing renters—those who pay a stated amount of farm products for the use of the farm, as 3 bales of

cotton or 500 bushels of corn. In some cases the character of the tenancy was not ascertained by the enumerator; such tenants are designated "unspecified."

Farm Land.—Farm land is divided into (1) improved land, (2) woodland, and (3) other unimproved land.

Improved land includes all land regularly tilled or mowed, land in pasture which has been cleared or tilled, land lying fallow, land in gardens, orchards, vineyards, and nurseries, and land occupied by farm buildings.

Woodland includes all land covered with natural or planted forest trees which produce, or later may produce, firewood or other forest products.

All other unimproved land includes brush land, rough or stony land, swamp land, and any other land which is not improved or in forest.

The census classification of farm land as "improved land" "woodland," and "other unimproved land" is one not always easy for the farmers or enumerators to make, and the statistics, therefore, must be considered at best only a close approximation.

Number of Farms, Average, and Value

TABLE 2.—*Number of Farms and Farm Averages, 1850 to 1920*

Census year	Farms				Land in farms				Per cent of land area in farms	Per cent of farm land improved
	Number	Per cent of increase ¹	All land		Improved land					
			Acres	Per cent of increase ¹	Acres	Per cent of increase ¹				
1920	213,439	-1.7	33,374,896	-1.3	28,606,951	-3.0	94.1	85.5		
1910	217,011	-5.1	33,530,688	-1.9	29,491,199	-1.4	95.4	86.9		
1900	228,622	13.2	34,574,337	13.4	29,897,552	17.6	97.2	86.5		
1890	201,303	8.9	30,491,541	23.2	25,428,899	28.0	85.7	83.4		
1880	183,251	59.4	24,552,700	59.3	19,866,541	111.4	69.6	80.3		
1870	146,222	90.1	15,541,793	54.3	9,396,467	147.7	43.7	60.5		
1850	61,163	313.1	10,069,907	268.0	3,792,792	339.9	28.3	37.7		
1850	14,895	.....	2,756,064	.....	824,682	.....	7.7	30.1

¹ A minus sign (—) denotes decrease.

TABLE 3.—*Value of Farm Property: 1850 to 1920*

Census year	All farm property		Land and buildings		Implements and machinery		Live stock	
	Value	Per cent of increase	Value	Per cent of increase	Value	Per cent of increase	Value	Per cent of increase
1920.....	\$8,525,270.95	127.6	\$7,601,772.20	133.4	\$309,172.398	223.8	\$614,326.268	56.3
1910.....	3,745,860.54	104.2	3,257,379.40	117.5	95,477,948	64.7	393,003,196	40.9
1900.....	1,834,345.546	66.7	1,497,554.790	74.6	57,900,640	58.1	278,830,096	35.1
1890.....	1,100,682.579	52.6	857,581,022	51.1	36,665,315	24.8	206,436,242	65.5
1880.....	721,517.214	81.8	567,430,227	80.6	29,371,884	79.0	124,715,103	87.9
1870 ¹	396,927,325	168.7	314,429,953	162.0	16,407,666	208.0	66,389,706	195.4
1860.....	147,702,873	586.4	119,809,517	619.8	5,327,033	354.2	22,476,293	509.2
1850.....	21,519,711	.....	16,657,967	.....	1,172,869	.....	3,689,275	.....

¹ Compared gold values, being 80 per cent of the currency values reported.

TABLE 4—Average, Average, and Average Value per Farm, 1830 to 1929

[Averages Are Based on "All Farms" in the State]

Census year	Average acreage per farm		Average value per farm			
	All land	Improved land	All farm property	Land and buildings	Implement and machinery	Live stock
1929	156.8	131.0	839,912	635,916	91,449	92,878
1910	156.3	135.9	17,259	15,008	440	1,811
1900	151.2	130.8	8,023	6,369	253	1,220
1890	151.0	125.9	5,452	4,247	182	1,022
1880	133.5	107.2	3,863	3,061	158	673
1870	133.6	80.8	3,413	2,701	141	571
1860	161.6	62.0	2,415	1,969	87	367
1850	184.8	55.7	1,454	1,125	79	249

* Computed grid values, being 80 per cent of the currency values reported.

TABLE 5.—Average Value per Acre, 1850 to 1920

[Averages Are Based on "All Land in Farms" in the State.]

Census year	All farm property	Land and buildings	Land alone	Buildings alone	Improvements and machinery	Live stock
1920	\$254.68	\$227.09	\$199.52	\$27.57	\$9.24	\$18.35
1910	110.40	96.00	82.55	13.45	2.51	11.58
1900	53.06	43.31	36.35	6.96	1.65	8.06
1890	36.10	28.13	.....	.....	1.20	6.77
1880	29.15	22.92	.....	.....	1.19	5.04
1870 ¹	25.54	20.21	.....	.....	1.06	4.27
1860	14.67	11.91	.....	.....	0.53	2.25
1850	7.87	6.09	.....	.....	0.43	1.35

¹ Computed gold values, being 80 per cent of the currency values reported.

[fols. 257-289]

All Farms

1.	Number of farms, 1920.....	213,439
2.	1910.....	217,044
3.	1900.....	228,622
All farmers classified by sex, 1920:		
4.	Male.....number..	209,232
5.	Female.....number..	4,207
Color and nativity of all farmers, 1920:		
6.	Native white.....number..	181,109
7.	Foreign-born white.....number..	32,221
8.	Negro and other nonwhite.....number..	109
All farms classified by size, 1920:		
9.	Under 3 acres.....number..	477
10.	3 to 9 acres.....number..	5,745
11.	10 to 19 acres.....number..	5,299
12.	20 to 49 acres.....number..	13,117
13.	50 to 99 acres.....number..	35,959
14.	100 to 174 acres.....number..	85,549
15.	175 to 259 acres.....number..	41,414
16.	260 to 499 acres.....number..	23,865
17.	500 to 999 acres.....number..	1,877
18.	1,000 acres and over.....number..	137

Land and Farm Area

19.	Approximate land area, 1920.....acres..	35,575,040
20.	Land in farms, 1920.....acres..	33,474,896
21.	1910.....acres..	33,930,688
22.	1900.....acres..	31,574,337
23.	Improved land in farms, 1920.....acres..	28,606,954
24.	1910.....acres..	29,491,199
25.	1900.....acres..	29,897,552
26.	Woodland in farms, 1920.....acres..	2,295,274
27.	Other unimproved land in farms, 1920.....acres..	2,572,671
28.	Per cent of land area in farms, 1920.....	94.1
29.	Per cent of farm land improved, 1920.....	85.5
30.	Average acreage per farm, 1920.....	156.8
31.	Average improved acreage per farm, 1920.....	134.0

Value of Farm Property

32.	All farm property, 1920.....	dollars..	8,525,270.95
33.	1910.....	dollars..	3,745,860.54
34.	1900.....	dollars..	1,834,345.54
35.	Land in farms, 1920.....	dollars..	6,679,020.57
36.	1910.....	dollars..	2,801,973.72
37.	1900.....	dollars..	1,256,751.98
38.	Farm buildings, 1920.....	dollars..	922,751.74
39.	1910.....	dollars..	455,405.67
40.	1900.....	dollars..	240,802.81
41.	Implements and machinery, 1920.....	dollars..	309,172.39
42.	1910.....	dollars..	95,477.94
43.	1900.....	dollars..	57,960.66
44.	Live stock on farms, 1920.....	dollars..	614,326.26
45.	1910.....	dollars..	393,003.19
46.	1900.....	dollars..	278,830.99
Average values, 1920:			
47.	All property per farm.....	dollars..	39.942
48.	Land and buildings per farm.....	dollars..	35.616
49.	Land alone per acre.....	dollars..	199.52

Farms Operated by Owners

50.	Number of farms, 1920.....		121,888
51.	1910.....		133,063
52.	1900.....		147,305
53.	Per cent of all farms, 1920.....		57.4
54.	Land in farms, 1920.....	acres..	18,051,121
55.	Improved land in farms, 1920.....	acres..	15,349,621
56.	Value of land and buildings, 1920.....	dollars..	4,011,441,160
Degree of ownership, 1920:			
57.	Farmers owning entire farm.....	number..	99,008
58.	Farmers hiring additional land.....	number..	22,880
Color and nativity of owners, 1920:			
59.	Native white owners.....	number..	100,741
60.	Foreign-born white owners.....	number..	21,073
61.	Negro and other nonwhite owners.....	number..	74

Farms Operated by Managers

62.	Number of farms, 1920.....	2,187
63.	1910.....	1,926
64.	1900.....	1,581
65.	Land in farms, 1920.....acres..	569,986
66.	Improved land in farms, 1920.....acres..	445,897
67.	Value of land and buildings, 1920...dollars..	125,900,751

Farms Operated by Tenants

68.	Number of farms, 1920.....	89,064
69.	1910.....	82,115
70.	1900.....	79,736
71.	Per cent of all farms, 1920.....	41.7
72.	Land in farms, 1920.....acres..	14,854,689
73.	Improved land in farms, 1920.....acres..	12,841,430
74.	Value of land and buildings, 1920...dollars..	3,461,430,379
Form of tenancy, 1920:		
75.	Share tenants .....number..	25,606
76.	Share-cash tenants .....number..	16,401
77.	Cash tenants .....number..	44,586
78.	Unspecified .....number..	2,471
Color and nativity of tenants, 1920:		
79.	Native white tenants.....number..	78,090
80.	Foreign-born white tenants.....number..	10,940
81.	Negro and other nonwhite tenants, number..	34

{fol. 290}

EVIDENCE: EXHIBIT No. 3

United States Department of Agriculture

*Bulletin No. 874*Contribution from the Office of Farm Management and Farm
Economics

H. C. Taylor, Chief

In Cooperation with the Iowa Agricultural Experiment Station

C. F. Curtiss, Director

Washington, D. C. Professional Paper August 23, 1920.

Farm Land Values in Iowa

By

L. C. Gray,

Agricultural Economist in Charge of Land Economics, Office of
Farm Management and Farm Economics,

and

O. G. Lloyd,

Assistant Chief in Farm Management Iowa Agricultural Experiment
Station

Contents

	Page
Purpose, Scope and Method of Investigation.....	1
Trend of Land Values in the Country as a Whole.....	3
Increase in the Average Value per Acre of Iowa Farm Land Since 1850	4
Range of Prices Paid for Farm Land.....	7
Extent of Activity in Buying and Selling Farms, 1919.....	8
Persons Engaged in Buying and Selling.....	9
Division of Increment Between Different Classes.....	13
Terms of Sale.....	14
Farm Earnings and Incomes of Owners, Tenants, and Landlords, 1913, 1915, 1918, 1919.....	20
The Farmer's Power of Accumulation as Indicated by Data on Net Worth	33
Summary of Causes and Probable Effects of the "Boom".....	37

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1920

(Here follows reproduction of side folio page 291.)

UNITED STATES DEPARTMENT OF AGRICULTURE

BULLETIN No. 874Contribution from the Office of Farm Management and
Farm Economics

H. C. TAYLOR, Chief

In Cooperation with the Iowa Agricultural Experiment Station

C. F. CURTISS, Director



Washington, D. C.

PROFESSIONAL PAPER

August 23, 1920

FARM LAND VALUES IN IOWA.

By J. C. GRAY, *Agricultural Economist in Charge of Land Economics, Office of Farm Management, and Farm Economics*, and O. G. LLOYD, *Assistant Chief in Farm Management, Iowa Agricultural Experiment Station*

CONTENTS.

	Page		Page
Purposes, scope, and methods of investigation.....	1	Division of increment between different classes.....	13
Trend of land values in the country as a whole.....	2	Terms of sale.....	14
Increase in the average value per acre of Iowa farm land since 1850.....	3	Farm earnings and incomes of owners, tenants, and landlords, 1913, 1915, 1918, 1919.....	20
Range of prices paid for farm land.....	4	The farmer's power of accumulation as indicated by data on net worth.....	33
Extent of activity in buying and selling farms, 1919.....	7	Summary of causes and probable effects of the "boom".....	37
Persons engaged in buying and selling.....	8		
	9		

PURPOSE, SCOPE, AND METHOD OF INVESTIGATION.

The investigation upon which this bulletin is based was undertaken to determine the extent of increase in prices of Iowa farm lands, with special reference to the year 1919, the causes of the unusual activity in the buying and selling of lands in that year, and the probable effects of this activity upon the farming industry in the State of Iowa.

It was considered of special importance to ascertain what changes have occurred in the relationship between farm land values, farm earnings, and the shares received by landlords and by tenants, and to determine the probable effect of these changes on the opportunity of farmers to acquire the land they cultivate. It was also believed that the investigation would be of some value as a study of the phenomena of land speculation, an important topic in the general subject of land economics.

Unusual activity in land transfers and rapid increases in the prices of farm land have occurred over wide areas throughout the United States during the past year. If the resources for investigation had

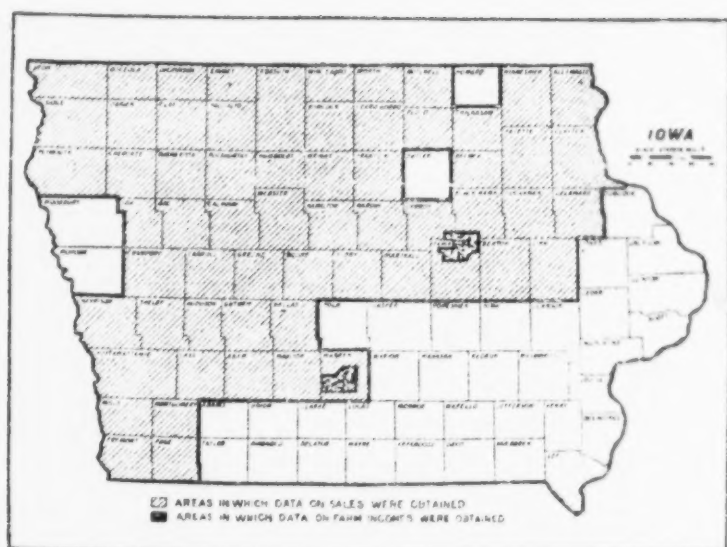


FIG. 1.—Map of Iowa showing region in which this investigation was conducted.

[fol. 292] been ampler it would have been desirable to extend this study in other parts of the country. However, it seemed necessary to limit the area of investigation to a region sufficiently small to permit a reasonably intensive study. Since the activity in land transfers seemed to be central in the State of Iowa, the investigation was confined to a territory comprising about 60 counties in that State. (See fig. 1.)

Details concerning actual sales were obtained in 60 counties. It was at first planned to obtain initial data from the county records, but it was necessary to revise this plan because it was found that a large number of the sales made during the recent period of activity were not recorded. Consequently it was necessary to obtain data from real estate men, bankers, lawyers, and retired farmers who had participated in the drawing up of sales contracts.

(Here follows map marked side folio page 292.)

The investigators obtained certain general information concerning the subjects of investigation by inquiry from well-informed persons in each county visited. Data on net rents paid for farms for the year 1918 were obtained in 49 of the counties visited.

The Iowa Experiment Station contributed to the investigation data on farm earnings and the distribution of farm earnings, obtained from regular farm management surveys of 965 farms in adjacent townships of Blackhawk, Tama, and Grundy Counties for the year 1913, and of 832 farms, located in Warren County, for the year 1915. [fol. 293] To obtain comparative data concerning farm earnings for the year 1918 a farm management survey was made covering about 400 farms in the same areas. A large number of these farms were the same for which data had been obtained in previous surveys.¹

Trend of Land Values in the Country as a Whole

Before beginning the study of farm land values in Iowa it is desirable to determine the extent of the area in the United States characterized by a marked advance in farm land values such as has occurred in that State.

¹ Acknowledgment is due the farmers and other business men who made this study possible and to the members of the staff of Iowa State College and of the Office of Farm Management, U. S. Department of Agriculture, who aided in the gathering and tabulation of the data used.

Survey data for 1913 and 1915 were collected by H. B. Munger, J. Whitson, Wm. Brand, Russell Engberg, Fred C. Fenton, R. J. Leth, E. H. Lott, W. T. Maaksted, M. B. Posten, Geo. N. Reed, Harold W. Reid, Louis Sawyer, Allan M. Smith, and L. B. Snyder, of the Farm Management Department, Ames, Iowa. Prof. H. B. Munger supervised the collection and tabulation of the results.

The data for 1918 and 1919 were collected by Earl D. Strait, C. O. Brannen, H. H. Clark, J. S. Donald, R. D. Jennings, Bruce McKinley, J. C. Rundles, C. F. Sarle, F. H. Shelleby, and C. C. Taylor, of the Office of Farm Management, United States Department of Agriculture. Messrs. Howard A. Turner and J. C. Rundles supervised the tabulation of the results.

In Table I, which comprises unpublished data supplied by the Bureau of Crop Estimates, are shown the estimated average values per acre of farm land and improvements for all the States, together with the estimated increase per acre and per cent of increase from March 1, 1919, to March 1, 1920.

TABLE I.—*Average value of farm land and improvements, by States, 1915, 1919, 1920, and increase per acre and per cent of increase, 1919 to 1920. (Estimates obtained by the Bureau of Crop Estimates.)*

State	Average value per acre			Increase 1919 to 1920	
	1915	1919	1920	Per acre	Per cent
Maine	836.00	847.00	852.00	85.00	10.6
N. Hampshire	37.00	45.00	52.00	7.00	15.5
Vermont	39.00	47.00	53.00	6.00	12.5
Massachusetts	72.00	80.00	100.00	20.00	25.0
Rhode Island	95.00	90.00	95.00	5.00	5.5
Connecticut	63.00	67.00	85.00	18.00	26.8
New York	65.00	75.00	88.00	13.00	17.3
New Jersey	90.00	113.00	125.00	12.00	10.6
Pennsylvania	64.00	79.00	92.00	13.00	16.4
Delaware	63.00	78.00	94.00	16.00	20.5
Maryland	54.00	69.00	91.00	22.00	31.8
Virginia	34.00	60.00	68.00	8.00	13.3
W. Virginia	34.00	51.00	58.00	7.00	13.7
N. Carolina	33.00	47.00	75.00	28.00	59.5
S. Carolina	30.00	53.00	75.00	22.00	41.5
Georgia	24.00	45.20	57.00	11.80	26.1
Florida	40.00	60.00	72.00	12.00	20.0
Ohio	86.00	109.00	130.00	21.00	19.2
Indiana	90.00	120.00	145.00	25.00	20.8
Illinois	125.00	164.00	204.00	40.00	24.3
Michigan	61.00	80.00	87.00	7.00	8.7
Wisconsin	80.00	109.00	130.00	21.00	19.2
Minnesota	65.00	94.00	124.00	30.00	31.9
Iowa	134.00	192.00	255.00	63.00	32.8
Missouri	58.00	82.00	104.00	22.00	26.8
N. Dakota	34.00	43.00	50.00	7.00	16.2
S. Dakota	58.00	80.00	110.00	30.00	37.5
Nebraska	71.00	105.00	135.00	30.00	28.5
Kansas	53.00	69.00	80.00	11.00	15.9
Kentucky	38.00	81.00	85.00	4.00	4.9
Tennessee	38.00	65.00	77.00	12.00	18.4
Alabama	20.00	29.00	38.00	9.00	31.0
Mississippi	20.00	32.00	45.00	13.00	40.6
Louisiana	30.00	43.00	65.00	22.00	51.1
Texas	40.00	55.00	69.00	14.00	25.4
Oklahoma	29.00	43.50	55.00	11.50	26.4
Arkansas	23.00	42.00	55.00	13.00	30.9

State	Average value per acre			Increase 1919 to 1920	
	1915	1919	1920	Per acre	Per cent
Montana	35.00	39.00	42.00	3.00	7.6
Wyoming	35.00	50.00	60.00	10.00	20.0
Colorado	55.00	66.00	75.00	9.00	13.6
New Mexico	52.00	62.00	62.00	0.00	0
Arizona	107.00	130.00	185.00	55.00	42.3
Utah	85.00	130.00	150.00	20.00	15.3
Nevada	85.00	90.00	90.00	0.00	0
Idaho	66.00	97.00	125.00	28.00	28.8
Washington	99.00	115.00	150.00	35.00	30.4
Oregon	75.00	95.00	120.00	25.00	26.3
California	175.00	218.00	190.00	28.00	....
United States	59.91	81.89	99.24	17.35	21.1

[fol. 294] It is clear that the advance of land values in Iowa is only part of a general rapid upward trend of land values, the average increase for all the States amounting to \$17.35 per acre, or 21.1 per cent. In only one State, California, have land values declined during the year. Even in New England the value of farm lands increased over \$10 an acre, or 16.2 per cent, the increase being most marked in Massachusetts and Connecticut. In the other Atlantic States the increase in value per acre was most notable in the Carolinas, reflecting the influence of high prices for cotton, "bright" tobacco, and peanuts. The increases for Virginia and West Virginia were comparatively small. The increases in values in the other Atlantic States are between the two extremes. The largest average increase per acre in the United States, but not the largest percentage of increase, occurred in Iowa, followed by Arizona and Illinois. Throughout the States lying largely in the Corn Belt there were increases per acre ranging from \$21 in Ohio to \$63 in Iowa, with the exception of Kansas, where the increase was only \$11.

In States characterized by a fair degree of uniformity in agricultural resources, as in many of the States in the Corn Belt, averages for the State as a whole are frequently not indicative of the movement of values in certain sections. Thus, the increase for Kentucky averages only \$4 an acre, yet in the Blue Grass Region there has been a very marked increase in farm land values and extraordinary activity in the buying and selling of land. There has been a considerable increase in the value of farm lands in Michigan, but the average for the State is low because of the influence of the large areas of cut-over lands in parts of the State. In the South the percentages of increase are large, although they do not represent large increases per acre.

Increase in the Average Value Per Acre of Iowa Farm Land Since 1850

TABLE II—*Increase in the Average Value of Improved Farm Land
in Iowa from 1850 to March 1, 1920*

Year,	Value per acre	Increase per acre
1850	86.00	.....
1860	11.91	85.82
1870	20.21	8.30
1880	22.92	2.71
1890	28.13	5.21
1900	43.31	15.18
1910	96.00	52.69
1915	134.00	38.00
1916	153.00	19.00
1917	156.00	3.00
1918	174.00	18.00
1919	192.00	18.00
1920	255.00	63.00

The statistics for the years 1850 to 1910, inclusive, are from the Federal census. The statistics for 1915 to 1920, inclusive, are from unpublished data furnished by the Bureau of Crop Estimates, United States Department of Agriculture, [fol. 295-335]. During the last decade the percentage increase, as well as the dollars per acre increase, was larger than that for any other decade in the history of the State. During the past year the increase in dollars per acre was greater than during the 50-year period from 1850 to 1900. From 1915 to 1920, the smallest increase in the price of land was in the year before the United States entered the World War, and the largest increase was the year following the signing of the armistice.

* * * * *

[fol. 336] (Copy)

EVIDENCE: EXHIBIT 4

STATE OF IOWA,
Polk County, ss:

I, A. H. Davison, depose and say that from 1899 to 1917 I was secretary of the Executive Council of the State of Iowa, and as such secretary am familiar with the proceedings of the Executive Council during that period. That, for sometime prior to 1913, the Council desired to secure information as to the actual value of the property of the state as compared to the assessed value for taxation; that pursuant to such desire on the part of the Executive Council the 35th General Assembly passed an Act, known as Chapter 13, making an appropriation to cover the expense of gathering, copying and tabu-

lating sales and assessments of value of real estate to be used in assessment and adjustment proceedings; that pursuant to this authority the Executive Council directed that the Secretary of the Council procure through the recorders of the several counties of the state lists of all the lands transferred in said counties during the calendar year of 1912, with sale values and that the same be referred to the County Auditors of the several counties with direction to enter opposite each transfer the assessment value placed upon the same tracts in the spring of 1913.

That, in pursuance of this order I, as secretary of the Executive Council, did call upon the several Recorders of the state for lists of all the bona fide transfers, with instructions to omit such as appeared from any reason to be other than bona fide transfers or sales in the ordinary course of business, and those lists we first check up, satisfying ourselves that none but bona fide transfers were in the lists forwarded, sending the list to the several county Auditors with instructions [fol. 337] to enter opposite each item the assessment placed by the assessors of all the townships of the counties, and also to show upon said list any charges made by the local Boards of Review. Those sale values and assessment values as corrected are represented as shown in Exhibit "A" in the columns marked "Actual value of lands reported transferred 1912", and "actual value placed on same tracts by assessors 1913." This Exhibit "A" also contains data obtained from the official records of the state as recorded in the office of the Auditor of State for the years 1902, 1903, 1908, 1909, said compilation being made for the purpose of exhibiting to the Executive Council that the ratio of assessments to actual value was continually diminishing from year to year, the same having been in 1903—80%, in 1909—55%, and for the year 1913—46% minus. That said Exhibit "A" was and is a part of the records of the Executive Council.

That under date of March 10, 1919, as shown by the records of the Executive Council, Book No. 12, Page 141, the following resolution was adopted:

"In view of the approaching session of the Executive Council of the State Board of Review, Assessment and Equalization and the duties imposed upon such Board by law with reference to the equalization of taxes on real and personal property and the fixing of assessment upon railroads and other public utilities, it was found desirable upon consideration that all of the information with reference to valuation of property possible to obtain for the use of the Executive Council be made available at the date set for such Board of Review meeting and the Council accordingly entered an order that an appropriation be made in the amount of \$500.00 under the provisions of 170-L of the Code for the employment of extra help in [fol. 338] the office of the Secretary of the Council for obtaining such information and directed that the Secretary of the Council prepare forms to send out to the county recorders for obtaining information as to the transfer of land and other property in the respective counties and the price involved in such transactions and for obtaining from

bankers, legislators real estate men and other persons resident in such counties who have reason to know of valuations of property the information which the Council desired. The secretary was also authorized to take the proper steps for the compilation of such information and its classification in the proper form for the use of the Council as a Board of Review and Equalization and also to employ such help as is necessary under the appropriation made for carrying out the direction of the Executive Council".

That I have examined the files of the Executive Council in the office of the Secretary of said Council, showing the result of the investigation made pursuant to said resolution, and attach hereto, marked Exhibit "B," the compilation of the volume of the acreage price at which such acreage was sold or transferred, and the average price of such sales in each county for which the figures appear to have been secured. That said compilation, of which Exhibit "B" is a copy, is taken from the papers and records on file in the office of the secretary of the Executive Council. That it appears from such compilation that the total of the transfers by acreage were 1,092,834.48 acres; that the value of the acreage as transferred is shown to be \$179,322,740.77, being an average sale price as shown by said Exhibit of \$164.00. That the average values for assessment purposes throughout the state were, during the corresponding year, \$75.64, as shown by the compilation and records in the office of the Auditor of State. The records in the office of the Auditor of State also show that the assessed value of lands throughout the state for the year 1920 as adjusted average \$76.84. That attached to this affidavit, marked Exhibit "C" are the adjusted values of land for the year 1919, being the year to which [fol. 339] the valuations shown on Exhibit "B" apply.

A. H. Davison.

Subscribed and sworn to by A. H. Davison this 10th day of September, 1921. J. R. Patterson, Notary Public in and for Polk County.

(Here follows Exhibit A to Davison's Affidavit, marked side folio page 340.)

[fol. 341] EXHIBIT "B" TO DAVISON'S AFFIDAVIT

County	Acreage	Price	Average per acre
Adair	14,244.22	\$1,977,003.07	\$138.80
Adams	21,573.53	2,972,086.96	120.95
Allamakee	3,818.11	300,855.60	78.78
Appanoose	5,337.00	468,579.00	87.80
Audubon	37,540.41	7,114,918.34	189.53
Benton .....	.....	.....	.....
Black Hawk .....	.....	.....	.....

County	Acreage	Price	Average per acre
Boone			
Bremer			
Buchanan			
Buena Vista	17,685.33	3,167,064.38	179.08
Butler	20,478.49	3,105,088.34	151.63
Calhoun			
Carroll	15,001.15	3,414,292.27	227.60
Cass	8,094.59	1,396,693.50	172.55
Cedar	28,010.92	4,878,462.99	174.16
Cerro Gordo	22,031.00	3,442,523.00	155.75
Cherokee			
Chickasaw			
Clarke	36,492.25	4,286,239.25	117.45
Clay	13,386.49	2,371,304.90	177.15
Clayton			
Clinton	16,865.00	2,999,303.00	177.84
Crawford	3,789.69	709,684.00	187.27
Dallas			
Davis			
Decatur			
Delaware	13,743.00	1,901,407.83	138.35
Des Moines	7,879.94	1,283,705.70	162.90
[fol. 342]			
Dickinson			
Dubuque	12,354.27	1,400,312.00	113.35
Emmet			
Fayette			
Floyd			
Franklin	2,136.00	305,440.00	143.00
Fremont			
Greene			
Grundy	16,602.21	3,540,562.72	213.25
Guthrie	51,885.85	8,299,079.10	159.91
Hamilton			
Hancock			
Hardin	18,235.00	3,531,894.00	193.68
Harrison	19,137.48	3,000,091.00	156.76
Henry	31,466.45	5,059,464.22	160.75
Howard	3,597	473,067.50	134.32
Humboldt	27,983.55	2,827,904.63	101.05
Ia			
Iowa			
Jackson	20,911.25	2,204,877.40	105.41
Jasper	13,788.03	2,797,729.50	202.91
Jefferson	17,966.00	1,951,871.49	108.65
Joanison	7,977.11	1,452,435.97	182.07
Jones			
Kookuk	39,313.42	6,040,143.80	153.65
Kossuth			

County	Acreage	Price	Average per acre
Lee .....	.....	.....	.....
[fol. 343]			
Linn	7,040.00	1,272,888.00	180.81
Louisa .....	.....	.....	.....
Lucas .....	.....	.....	.....
Lyon	42,101.20	8,006,393.31	190.17
Madison	4,283.99	544,430.00	103.75
Mahaska	3,661.50	680,625.00	185.89
Marion .....	.....	.....	.....
Marshall	16,826.68	3,287,424.46	195.37
Mills .....	.....	.....	.....
Mitchell .....	.....	.....	.....
Monona .....	.....	.....	.....
Monroe	5,352.50	499,252.00	93.25
Montgomery	30,665.25	6,041,449.23	197.02
Muscatine	5,663.50	1,177,772.00	207.95
O'Brien	41,450.61	8,638,487.61	208.40
Osceola	44,642.40	7,472,148.78	167.60
Page	30,990.00	4,355,557.00	140.00
Palo Alto .....	.....	.....	.....
Plymouth	17,911.35	3,009,430.48	168.02
Pocahontas	30,699.77	5,776,386.81	188.15
Polk .....	.....	.....	.....
Pottawattamie .....	.....	.....	.....
Poweshiek .....	.....	.....	.....
Ringgold	16,398.43	1,507,257.50	98.01
Sac	19,819.88	4,385,650.32	221.83
Scott .....	.....	.....	.....
Shelby	35,768.23	7,127,871.21	199.28
Sioux	20,359.15	3,853,117.50	144.98
Story .....	.....	.....	.....
[fol. 344]			
Tama .....	.....	.....	.....
Taylor	61,813.08	8,723,067.83	141.12
Union .....	.....	.....	.....
Van Buren	44,805.92	4,526,263.62	101.02
Wapello	14,896.87	2,420,449.05	162.48
Warren	10,875.91	1,549,257.99	142.35
Washington .....	.....	.....	.....
Wayne .....	.....	.....	.....
Webster	31,368.81	6,127,948.28	195.35
Winnebago .....	.....	.....	.....
Winneshiek .....	.....	.....	.....
Woodbury	29,812.28	4,082,524.00	136.95
Worth .....	.....	.....	.....
Wright	20,129.29	3,332,789.95	165.57
	1,092,834.48	179,322,740.77	164.09

75.64 Averaged assessed value per acre for entire State.

[fol. 345] EXHIBIT "C" TO DAVISON'S AFFIDAVIT

Adjusted Valuation of Land

Adair	75.32	Jefferson	75.00
Adams	73.06	Johnson	79.72
Allamakee	54.80	Jones	68.16
Appanoose	55.14	Keokuk	75.15
Audubon	89.96	Kossuth	65.20
Benton	84.19	Lee	72.81
Black Hawk	85.37	Linn	85.29
Boone	86.00	Louisa	74.24
Bremer	78.34	Lucas	54.84
Buchanan	70.28	Lyon	90.35
Buena Vista	84.90	Madison	72.66
Butler	83.58	Mahaska	75.67
Calhoun	84.73	Marion	68.06
Carroll	90.16	Marshall	89.83
Cass	81.99	Mills	72.88
Cedar	84.04	Mitchell	72.52
Cerro Gordo	79.05	Monona	68.27
Cherokee	85.10	Monroe	54.92
Chickasaw	68.28	Montgomery	82.17
Clarke	59.73	Muscatine	80.31
Clay	76.84	O'Brien	94.81
Clayton	65.16	Oscola	77.25
Clinton	84.18	Page	78.30
Crawford	95.49	Palo Alto	73.17
Dallas	84.26	Plymouth	85.17
Davis	55.15	Pocahontas	80.54
Decatur	55.24	Polk	89.97
Delaware	69.73	Pottawattamie	77.70
Des Moines	79.19	Poweshiek	83.83
Dickinson	75.06	Ringgold	54.91
Dubuque	73.18	Sac	95.28
Emmet	68.04	Scott	86.74
Fayette	75.04	Shelby	89.85
Floyd	73.27	Sioux	95.05
Franklin	76.58	Story	95.07
Fremont	65.25	Tama	83.87
Greene	90.21	Taylor	67.83
Grundy	95.14	Union	65.22
Guthrie	72.76	Van Buren	55.07
Hamilton	80.29	Wapello	67.76
Hancock	65.15	Warren	73.04
Hardin	83.79	Washington	85.45
Harrison	65.52	Wayne	62.95
Henry	74.06	Webster	80.87
Howard	68.21	Winnebago	65.30
Humboldt	77.56	Winneshiek	65.16
Ida	94.88	Woodbury	77.98
Iowa	84.19	Worth	64.82
Jackson	64.94	Wright	77.25
Jasper	83.93		

[fol. 346]

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION, AT DES MOINES

CHICAGO & NORTH WESTERN RAILWAY COMPANY, Complainant,

vs.

NATHAN E. KENDALL et al., Defendants.

EVIDENCE: EXHIBIT "5"

Affidavit of T. A. Polleys, Tax Commissioner for the Chicago & North Western Railway Company, Setting Forth True Values and Assessed Values of Real Estate in Certain Counties in Iowa for the Years, 1916 to 1921, Inclusive

STATE OF IOWA, County of Polk, ss:

I, T. A. Polleys, being first duly sworn, on my oath depose and state:

1. That I am now and for more than five years past have been Tax Commissioner of the Chicago & North Western Railway Company; that as such Tax Commissioner I have given special attention to the subject of taxation of the property of this complainant throughout the various States through which its line runs and especially in the State of Iowa; that as Tax Commissioner I have made a special study of the relative valuation of railway property as compared with the valuations of other property in the State of Iowa, and for a period of more than five years I have actually gone into various counties in the State of Iowa and made copies of transfers and tabulated figures showing the actual value of farm lands in said counties as shown by the transfers and also figures showing the last preceding full value assessment of the lands thus sold.

2. That this work has been done by me under the authority of the Chicago & North Western Railway Company and I am empowered [fol. 347] by said Railway Company to make these representations and execute this affidavit.

3. That attached to this affidavit are Exhibits "1," "2," "3," "4," "5," and "6," which set forth the facts and figures hereinafter enumerated:

(a) Exhibit "1" sets forth, as of January 1, 1916, the estimated true value of Iowa lands in thirteen counties as determined by me from the study of numerous transfers and comparisons of such value with the average full assessed value per acre of the respective counties for the year 1915. Column One shows the counties in which the transfers were tabulated. Column Two shows the period covered by transfers. Column Three shows the number of transfers actually examined during said period. Column Four shows the actual number of acres covered by said transfers. Column Five shows the estimated true value of land per acre as of January 1, 1916, as determined from the transfers referred to in Column Three. Column Six shows the average actual assessed value of land in said counties as of January 1, 1916, being the assessment for 1915. Column Seven shows the ratio of actual assessed value to the estimated true value as of Janu-

ary 1, 1916. To illustrate, Exhibit "1" shows that in Carroll County between the period, 1910 and 1916, there were 569 transfers covering 68,634 acres of land. That the estimated true value of land in Carroll County as determined from the transfers aforesaid was on January 1, 1916, \$168.00 per acre and that the average assessed value of land in Carroll County for the year 1915 was \$75.40, or 44.88% of the estimated true value; and by the same process, the same showings are set forth for Cerro Gordo, Clinton, Harrison, Linn, Lyon, O'Brien, Osceola, Plymouth, Polk, Pottawattamie, Sioux and Woodbury Counties.

(b) Exhibit "2" shows the same data for nineteen counties as indicated in Column One for the year 1917.

(c) Exhibit "3" shows the same data for nineteen counties as indicated in Column One for the year 1918.

(d) Exhibit "4" shows the same data for twenty-eight counties as indicated in Column One for the year 1919.

[fol. 348] (e) Exhibit "5" shows the same data for thirty counties as indicated in Column One for the year 1920.

(f) Exhibit "6" shows the same data for thirty counties as indicated in Column One for the year 1921.

4. That as Tax Commissioner for the Chicago & North Western Railway Company, I have for more than five years last past appeared before the Executive Council of the State of Iowa at its annual meeting held for the purpose of valuing railroads and filed tables such as are set forth in Exhibits "1," "2," "3," "4," "5," and "6," and also filed written argument calling the attention of the Executive Council to the discrepancy appearing between the actual value of land in the State of Iowa and the assessed value of said land, and have presented said arguments orally and filed said exhibits regularly in each of the years aforesaid for the purpose of impressing upon the minds of the members of the Executive Council the wide discrepancy between the assessed value of farm land as compared with the actual value thereof and the much narrower margin of discrepancy between the assessed value and the actual value of the Chicago & North Western Railway Company.

Wherefore, your affiant, on the basis of the exhibits aforesaid, avers and states the fact to be that between the period, January 1, 1916 and January 1, 1921, inclusive, the ratio of assessed full value of real estate in the counties set forth in said exhibits has, in no year, exceeded 47.18% of the estimated true value of land in the counties aforesaid and has been as low as 32.16% as shown in Exhibit "6," which indicates that while the value of land has rapidly increased during the period aforesaid, the exhibits show that the ratio of assessed value to true value has gradually diminished and that the ratio of the 1921 full assessed value to true value of land in Iowa is somewhat less than 35%.

T. A. Polleys.

Subscribed and sworn to before me and in my presence by the said T. A. Polleys this 8th day of September, A. D. 1921. Della Brody, Notary Public in and for Polk County, Iowa.

[Vol. 349]

EXHIBIT 1 TO POLLEYS' AFFIDAVIT

(Copy)

1916 *Estimated Land Values in 13 Iowa Counties*

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by transfers	No. of transfers	No. of acres sold	Estimated average true val. of land per acre	Average actual val. of land Jan. 1, '16	Ratio of actual ass'd val. to est'd true value Jan. 1, '16
Carroll	1910-16	569	68,634	\$168.00	\$75.40	44.88%
Cerro Gordo	1910-16	650	91,570	140.75	61.76	44.67%
Clinton	1915-16	130	11,988	156.50	72.72	46.46%
Harrison	1915-16	264	22,632	130.75	61.32	46.89%
Linn	1910-16	542	51,649	158.50	67.80	42.77%
Lyon	1907-16	1,100	184,032	154.75	77.04	49.78%
O'Brien	1907-16	1,334	200,901	163.75	82.12	50.14%
Osceola	1907-16	1,100	183,553	139.75	66.92	47.83%
Plymouth	1907-16	1,450	205,972	152.50	78.80	49.71%
Polk	1910-16	465	37,425	164.00	83.29	50.78%
Pottawattamie	1910-16	465	21,538	137.25	68.55	49.94%
Sioux	1907-16	1,596	196,486	176.00	82.48	46.85%
Woodbury	1907-16	2,065	293,618	144.50	59.92	41.46%
13 Counties		12,059	1,630,454	\$152.18	\$71.78	47.18%

Compliments of T. A. Polleys, Tax Comm'r. C. & N. W. Ry. Co., Chicago, Ill., October 17, 1916. #265.

1917 *Estimated True Value of Land and 1916 Assessed Full Value of Rural Personal Property in 19 Iowa Counties*

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by IRS	Number of IRS	Number of acres sold	Estimated true value of land per acre (average)		Average assessed full val of land per acre Jan. 1, 1917	Ratio of assessed full val to estd true val Jan. 1, 1917	Ass'd full val of general personal property per acre	
				Jan. 1, 1917	Jan. 1, 1917			Tangible property	Monies and credits
1	2	3	4	5	6	7	8	9	
Benton	1916-17	168	17,337	\$187.00	\$75.16	40.19%	\$9.61	\$3.24	
Carroll	1910-17	699	82,757	167.00	75.40	45.15%	11.92	1.74	
Cerro Gordo	1910-17	754	105,041	143.75	61.76	42.98%	6.95	1.52	
Clinton	1915-17	211	21,660	155.75	74.20	47.64%	8.76	2.50	
Harrison	1910-17	976	93,702	138.25	61.32	44.35%	8.32	1.76	
Kossuth	1916-17	258	37,235	151.50	59.40	39.21%	6.56	1.17	
Linn	1910-17	630	57,294	169.25	66.08	39.04%	8.76	4.67	
Lyon	1907-17	1,163	195,271	171.75	77.04	44.86%	7.48	0.64	
Marshall	1910-17	470	50,950	180.25	81.20	45.05%	9.28	4.45	
Monona	1916-17	163	23,282	136.00	59.56	43.79%	6.40	0.61	
O'Brien	1907-17	1,440	214,444	174.50	82.12	47.06%	16.44	1.26	
Osceola	1907-17	1,168	193,077	148.50	66.92	45.06%	10.76	0.22	

1917 Estimated True Value of Land.—Continued

Name of county	Period covered by the	Number of trs	Number of acres sold	Estimated true value of land per acre (average) Jan. 1, 1917	Average assessed full val of land per acre Jan. 1, 1917	Ratio of assessed full val to est'd true val Jan. 1, 1917	Ass'd full val of general personal property per acre	
							Tangible property	Monies and credits
1	2	3	4	5	6	7	8	9
Plymouth	1907-17	1,585	222,623	161.75	78.80	47.83%	8.40	1.05
Polk	1915-17	432	31,715	180.50	83.26	46.13%	9.16	2.77
Pottawattomie	1910-17	1,020	106,116	152.25	68.55	45.02%	10.24	1.96
Sac	1916-17	188	20,989	191.50	78.82	41.15%	8.40	1.68
Sioux	1907-17	1,705	208,083	185.75	82.48	44.40%	9.28	1.31
Story	1916-17	150	15,874	192.50	80.60	41.87%	8.52	2.78
Woodbury	1907-17	2,297	323,618	140.25	60.68	43.27%	7.08	0.63
Total 19 Counties		15,478	2,024,068	163.41	72.71	44.49%	9.36	2.09

(1) In the above named counties the average price per acre fixed by executors' administrators' and referees' sales and by inheritance tax appraisals, during 1916 and the first half of 1917, was \$144.74. The average assessed full value of the lands thus sold or appraised was \$71.75 per acre, and the ratio of the assessed full value to the sale price established in court proceedings was only 49.57%.

(2) The average sale price per acre indicated by the farm land transfers reported by the "Commercial West" for 1915 in 56 Iowa Counties was \$147.02, for 1916, the same source of information disclosed an average sale price in 55 Iowa counties of \$149.71 per acre; during the first half of 1917 the average sale price thus established for 46 Iowa counties is \$157.95 per acre.

1918 Estimated True Value of Land and 1917 Assessed Full Value of Rural Personal Property in 19 Iowa Counties

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by tfs	No. of tfs	Number of acres sold	Estimated true value of land per acre (average) Jan. 1, 1918	Average assessed full val of land per acre Jan. 1, 1918	Ratio of assessed full val to estd true val Jan. 1, 1918	Ass'd full val of general personal property per acre	
							Tangible property	Money's worth and credits
1	2	3	4	5	6	7	8	9
Benton	1916-18	287	28,586	193.75	75.68	39.06%	11.20	3.35
Corroll	1910-18	871	102,405	190.50	77.16	40.50%	8.56	1.83
Cerro Gordo	1910-18	830	116,698	144.00	67.76	47.06%	8.28	1.49
Clinton	1915-18	318	34,166	168.75	73.72	43.68%	9.20	2.73
Harrison	1910-18	1,142	111,974	145.00	64.36	44.80%	7.92	2.01
Kossuth	1916-18	525	74,794	147.25	54.68	37.13%	7.04	1.30
Linn	1910-18	847	75,768	188.75	73.32	39.16%	9.00	4.58
Lyon	1907-18	1,286	215,556	185.25	77.36	41.76%	7.96	0.84
Marshall	1910-18	637	69,969	195.50	82.76	42.33%	10.00	4.52
Monona	1916-18	369	41,793	140.50	60.32	42.93%	6.96	0.69
O'Brien	1907-18	1,565	257,340	186.00	82.20	43.72%	8.75	1.15
Osceola	1907-18	1,232	204,558	170.00	67.44	39.67%	8.36	0.38

1918 Estimated True Value of Land.—Continued.

Name of county	Period covered by tfs	No. of tfs	Number of acres sold	Estimated true value of land per acre (average) Jan. 1, 1918	Average ass'd full val of land per acre Jan. 1, 1918	Ratio of ass'd full val to est'd true val Jan. 1, 1918	Ass'd full val of general personal property per acre	
							Tangible property	Money's and credits
1	2	3	4	5	6	7	8	9
Plymouth	1907-18	1,730	240,187	174.00	78.04	44.85%	9.61	1.34
Polk	1915-18	643	54,473	215.25	97.12	45.12%	10.00	3.30
Pottawattamie	1910-18	1,355	143,661	173.50	68.44	39.49%	10.77	2.27
Sac	1916-18	339	40,023	203.00	79.04	38.94%	9.48	1.98
Sioux	1907-18	1,846	224,385	204.50	84.36	41.25%	10.36	2.39
Story	1916-18	333	34,162	212.50	85.60	40.28%	8.95	2.57
Woodbury	1907-18	2,595	362,823	161.50	67.26	41.65%	8.69	0.68
19 Counties (Jan. 1, 1918)		18,670	2,409,341	177.35	73.76	41.59%	8.96	2.06
19 Counties (Jan. 1, 1917)		15,478	2,024,068	163.41	72.71	44.49%	9.36	2.09

In the above named counties the average price per acre fixed by executors, administrators, and referees' sales and by inheritance tax appraisals, during 1917 and the first half of 1918, was \$157.65. The 1917 average assessed full value of the lands thus sold or appraised was \$72.06 per acre, and the ratio of the assessed full value to the sale price established in court proceedings was only 45.71%.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Ry. Co., Chicago, Illinois, July 5, 1918. #360.

(Copy)

1919 Estimated True Value of Land and 1918 Assessed Full Value of Rural General Personal Property in 28 Iowa Counties

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by tfs	No. of tfs	Number of acres sold	Estimated average true value of land per acre Jan. 1st, 1919	Average ass'd full val of land per acre Jan. 1, 1919	Ratio of ass'd full val to est'd true val Jan. 1, 1919	Ass'd full val of general personal property per acre		
							Tangible property	Money's worth	and credits
1	2	3	4	5	6	7	8	9	
# Benton	1916-19	293	40,569	\$197.50	\$76.40	38.68%	\$12.48	\$4.50	
Boone	1917-19	287	25,495	202.25	76.92	38.03%	10.80	4.41	
# Carroll	1915-19	661	76,723	215.25	77.12	35.83%	12.76	2.93	
Cedar	1918-19	238	25,407	193.25	80.96	41.89%	16.12	6.24	
# Cerro Gordo	1915-19	582	78,517	154.75	67.27	43.47%	10.35	2.24	
# Clinton	1915-19	434	43,877	179.25	74.16	41.37%	11.34	3.72	
Greene	1917-19	345	44,566	198.50	76.44	38.51%	9.66	3.26	
Hamilton	1918-19	258	28,857	203.75	73.73	36.18%	11.16	3.27	
Hardin	1918-19	231	24,016	203.25	75.20	37.00%	10.60	2.48	
# Harrison	1910-19	1,329	131,112	167.75	63.32	37.75%	11.60	2.52	
# Kossuth	1916-19	778	109,644	152.75	54.88	37.93%	9.72	2.09	
# Linn	1915-19	722	58,638	191.75	72.76	37.95%	11.24	5.44	

1919 Estimated True Value of Land.—Continued.

Name of county	Period covered by yrs	No. of tfs	Number of acres sold	Estimated average true value of land per acre Jan. 1st, 1919	Average ass'd full val of land per acre Jan. 1, 1919	Ratio of ass'd full val to est'd true val Jan. 1, 1919	Ass'd full val of general personal property per acre	
							Tangible property	Monies and credits
1	2	3	4	5	6	7	8	9
== Lyon	1907-19	1,329	222,360	197.50	77.04	39.01%	10.08	1.50
== Mahaska	1917-19	274	22,090	181.75	73.72	40.56%	11.56	3.00
== Marshall	1916-19	531	58,441	212.75	81.56	38.34%	13.28	3.70
== Monona	1916-19	467	66,114	141.25	60.56	42.88%	8.84	1.38
== O'Brien	1907-19	1,747	262,283	213.50	82.52	38.65%	11.32	2.82
== Osceola	1907-19	1,308	217,247	185.00	67.48	36.48%	10.04	1.50
== Plymouth	1907-19	1,871	259,574	195.25	78.48	40.19%	12.12	2.91
== Polk	1915-19	841	70,584	215.00	90.20	41.95%	12.12	5.00
== Pottawattomie	1915-19	1,263	138,145	194.00	70.44	36.31%	15.56	3.15
== Sac	1916-19	516	62,809	227.50	79.41	34.92%	11.80	4.28
== Shelby	1917-19	385	46,573	214.25	76.65	35.78%	18.44	4.15
== Sioux	1907-19	2,038	247,596	245.00	84.64	34.55%	12.84	4.26
== Story	1916-19	509	54,638	233.50	82.64	35.37%	10.90	4.00
== Tama	1918-19	253	24,021	188.00	75.26	40.03%	12.45	4.07
== Webster	1918-19	303	34,444	200.50	74.09	36.95%	8.69	3.84

# Woodbury	1907-19	2,925	405,262	180.75	68.32	37,80%	13.04	1.22
28 Counties		22,820	2,879,634	194.31	74.16	38.17%	11.74	3.42
19 Counties Marked # (Jan. 1, 1919)		20,246	2,603,935	192.49	73.46	38.12%	11.76	3.22
19 Counties Marked # (Jan. 1, 1918)		18,670	2,409,341	177.35	73.76	41.59%	8.96	2.06
19 Counties Marked # (Jan. 1, 1917)		15,478	2,024,068	163.41	72.71	44.49%	9.36	2.09

In the above named 28 counties 440 executors', administrators' and Referees' sales and inheritance tax appraisals, made chiefly during the year 1918 and the first half of the year 1919, and comprising 50,886 acres, establish the fact that the average price per acre of the land thus sold or appraised was \$178.77. The 1918 average assessed full value of the acreage comprised in the above sales and appraisals was \$73.39 per acre, which bears a ratio of only 41.05% [fol. 353] to the sale price thus established by recent court sales or proceedings.

United States Railroad Administration, Director General of Railroads.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Rld., Chicago, Illinois, July 8, 1919. #430.

[Vol. 354]

EXHIBIT 5 TO POLLEYS' AFFIDAVIT

1920 *Estimated True Value of Land and 1919 Assessed Full Value of Rural General Personal Property in 30 Iowa Counties*

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by transfers	Number of transfers	No. of acres sold	Estimated average true val. of land per acre, 1st, 1920		Average ass'd full val. of land per acre, year 1919	Ratio of 1919 ass'd full val. to est'd true val., Jan. 1, 1920	1919 ass'd full value of gen'l personal property per acre	
				4	5			8	9
						6		Tangible property	Monies and credits
Benton	1916-20	694	77,486	8,552.00	8,833.64	83.19%	33.19%	815.76	85.18
Boone	1917-20	465	41,419	213.75	86.28	86.28%	40.36%	10.92	4.82
Butler	1918-20	215	26,755	196.00	83.00	83.00%	42.35%	11.64	3.43
Carroll	1913-20	981	116,302	267.50	89.80	89.80%	33.57%	12.63	2.99
Cedar	1918-20	511	59,362	292.00	84.32	84.32%	32.18%	16.44	6.48
Cerro Gordo	1915-20	1,100	159,812	214.75	79.65	79.65%	36.81%	10.82	2.61
Clinton	1913-20	770	86,312	221.50	84.00	84.00%	37.92%	12.62	3.44
Greene	1917-20	580	74,435	232.75	92.08	92.08%	39.56%	10.46	3.47
Grundy	1918-20	175	22,794	231.00	95.40	95.40%	41.30%	13.88	3.86
Hamilton	1918-20	668	85,732	253.50	78.20	78.20%	30.85%	15.44	3.64
Hardin	1918-20	530	62,205	218.00	85.88	85.88%	38.47%	11.60	3.11
Harrison	1913-20	1,099	108,331	184.00	65.68	65.68%	35.70%	10.60	2.59
Kossuth	1916-20	1,406	213,058	185.75	65.16	65.16%	35.08%	11.03	2.77
Linn	1913-20	1,182	106,670	230.50	83.44	83.44%	36.20%	11.94	6.35
Lyon	1907-20	1,562	263,090	271.25	90.64	90.64%	33.45%	11.75	1.60

Mahaska	1917-20	485	42,733	214.00	74.84	34.97%	11.52	5.84
Marshall	1916-20	852	98,812	266.50	90.08	33.80%	13.65	6.75
Monona	1916-20	712	102,908	155.75	67.76	43.50%	9.50	1.55
O'Brien	1907-20	2,034	308,519	268.25	90.88	33.88%	12.80	3.89
Oscoda	1907-20	1,507	252,542	217.25	77.20	35.54%	20.08	2.01
Plymouth	1907-20	2,159	303,872	246.25	84.48	34.31%	14.00	3.01
Polk	1915-20	1,133	98,630	261.00	95.40	36.55%	11.72	7.38
Pottawattamie	1915-20	1,543	171,627	232.00	77.92	33.59%	14.43	3.79
Sac	1916-20	823	101,974	277.75	90.68	32.65%	13.35	3.67
Shelby	1917-20	530	65,442	256.75	89.88	35.00%	13.92	4.07
Sioux	1907-20	2,248	271,947	300.00	95.40	31.80%	14.95	5.11
Story	1916-20	889	100,181	288.00	94.64	32.86%	11.80	4.85
Tama	1918-20	665	72,286	247.00	81.72	33.08%	12.96	4.08
Webster	1918-20	750	91,641	256.00	80.20	31.27%	9.52	1.98
Woodbury	1907-20	3,522	491,724	214.00	76.96	35.96%	11.15	1.27
30 Counties		31,790	4,078,601	236.54	83.01	35.09%	12.71	3.75
28 Counties (Exc. Butler & Grundy Co's) Jan. 1, 1919,		22,820	2,879,634	194.31	74.16	38.17%	11.74	3.42

In the above named 30 counties 474 executors', administrators' and referees' sales and inheritance tax appraisals, made chiefly during the year 1919 and the first half of the year 1920, and comprising 62,720 acres, establish the fact that the average price per acre of the land thus sold or appraised was \$215.16. The 1919 average assessed full value of the acreage comprised in the above court sales and appraisals was \$81.39 per acre, which bears a ratio of only 37.83% to the average sale price thus established by recent court sales or proceedings.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Ry. Co., Chicago, Ill., July 8.
Copies of this table may be had on application. #517.

[Vol. 355]

EXHIBIT 6 TO POLLEYS' AFFIDAVIT

1921 *Estimated True Value of Land and 1920 Assessed Full Value of Rural General Personal Property in 30 Iowa Counties*

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by transfers	Number of transfers	Estimated average			Ratio of 1919 ass'd full val. to est'd true val. Jan. 1, 1920	1920 ass'd full value of gen'l per-sonal property per acre	
			No. of acres sold	of land per acre, Jan. 1, 1921	Average ass'd full val. of land per acre, year 1920		Tangible property	Monies and credits
1	2	3	4	5	6	7	8	9
Benton	1916-21	845	91,615	8,717.50	8,74.90	30.49%	814.43	85.47
Boone	1917-21	878	8,878	2,772.00	86.64	31.85%	11.12	6.79
Butler	1918-21	565	72,000	218.25	82.72	37.90%	10.92	4.72
Carroll	1915-21	1,112	130,738	286.00	91.47	31.98%	12.48	3.80
Cedar	1918-21	618	70,330	2,779.75	84.80	30.31%	16.27	7.91
Cerro Gordo	1915-21	1,250	181,306	220.25	79.33	36.02%	11.20	2.01
Clinton	1915-21	896	98,779	2,777.33	83.95	36.70%	11.27	3.56
Greene	1917-21	1,023	140,327	287.25	90.01	31.35%	9.84	5.96
Grundy	1918-21	394	54,491	301.60	95.92	31.87%	12.24	5.36
Hamilton	1918-21	806	102,492	2,779.75	78.20	27.93%	10.88	3.95
Hardin	1918-21	621	75,405	240.25	83.74	34.86%	10.92	3.68
Harrison	1915-21	1,214	121,539	199.50	65.86	33.01%	10.27	3.20
Kossuth	1916-21	1,588	256,851	207.25	65.56	31.62%	10.42	2.65
Linn	1915-21	1,429	127,730	249.00	83.60	33.37%	12.40	7.31
Lyon	1907-21	1,682	22,5520	284.25	94.32	32.13%	10.74	2.14

Malaska	1917-21	1,019	102,257	200,000	175,000	27,857	11,000	7,56
Marshall	1916-21	944	107,267	290,000	31,000	31,387	12,74	7,46
Monona	1916-21	812	119,264	171,500	67,45	39,337	8,72	1,29
O'Brien	1907-21	2,130	323,609	284,000	392,35	32,527	13,73	4,45
Oscoda	1907-21	1,025	275,734	222,25	15,18	33,877	11,22	1,81
Plymouth	1907-21	2,223	318,477	273,000	25,17	31,207	12,49	3,34
Polk	1915-21	1,353	118,107	284,500	36,107	33,747	11,84	8,73
Potawatamie	1915-21	1,753	193,785	256,000	14,92	30,447	13,82	3,62
Sac	1916-21	927	116,136	310,25	91,20	29,407	13,30	4,54
Shelby	1917-21	750	93,890	305,25	90,72	29,727	13,44	4,41
Sioux	1907-21	2,358	287,710	324,25	107,20	33,067	14,20	5,26
Story	1916-21	995	111,296	318,000	99,04	31,147	11,27	5,24
Tama	1918-21	753	80,115	252,500	83,35	33,017	13,26	5,90
Webster	1918-21	849	102,880	286,500	80,81	28,217	9,65	2,33
Woodbury	1907-21	3,750	523,641	221,000	76,00	34,397	11,19	1,76
30 Counties		37,270	4,766,662	261,02	23,33	32,167	11,93	4,42
Jan. 1, 1920, 30 Counties		31,790	4,078,601	236,54	83,01	35,097	12,71	3,75

In the above named 30 counties 307 executors' administrators' and referees' sales and inheritance tax appraisals, made chiefly during the year 1920 and the first half of the year 1921, and comprising 41,718 acres, establish the fact that the average price per acre of the land thus sold or appraised was \$243.23. The 1920 average assessed full value of the acreage comprised in the above court sales and appraisals was \$85.26 per acre, which bears a ratio of only 35.05% to the average sale price thus established by recent court sales or proceedings.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Ry. Co., Chicago, Ill., June 28, 1921. #733.
Copies of this table may be had on application.

[fol. 356]

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION, AT DES
MOINES

[Title omitted]

EVIDENCE: EXHIBIT "G"

Affidavit of T. A. Polleys, Tax Commissioner for the Chicago & North Western Railway Company, Describing the Wide Distribution of Land Sales Throughout the Counties and in Individual Government Townships Within the Counties Covered by the Land Sales Investigation Made on Behalf of said Complainant in Thirty-four Counties Covering Transfers Executed in 1920 and 1921.

STATE OF IOWA,

County of Polk, ss:

I, T. A. Polleys, being first duly sworn, on my oath depose and state:

1. That I am now and for more than five years past have been the Tax Commissioner of the Chicago & North Western Railway Company and that I am empowered by said Railway Company to make the representations hereinafter contained and to execute this affidavit.

2. That as said Tax Commissioner, I have had charge of the investigation of transfers of farm lands made during the years 1920 and 1921 in 34 Iowa counties crossed by the lines of the said Chicago & North Western Railway Company; that I have examined the detail sheets covering the transfers gathered in said counties in such investigation and made an analysis of the same for the purpose of determining the number of said sales located in the several government townships within said thirty-four counties; that in the thirty-[fol. 357] four counties mentioned there are located 609 entire or fractional township; that in each of 80 of said government townships, the number of land transfers executed in 1920 and 1921 and covered by said investigation, as above mentioned, was less than 10, a considerable number of said 80 townships, however, being fractional townships, part of the same being located in the county in question and part in an adjoining county; that in 246 of the said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 10 to 19, inclusive; that in 180 of the said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 20 to 29, inclusive; that in 73 of said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 30 to 39, inclusive; that in 25 of said government townships, the number of transfers executed in 1920 and 1921 and covered by said investiga-

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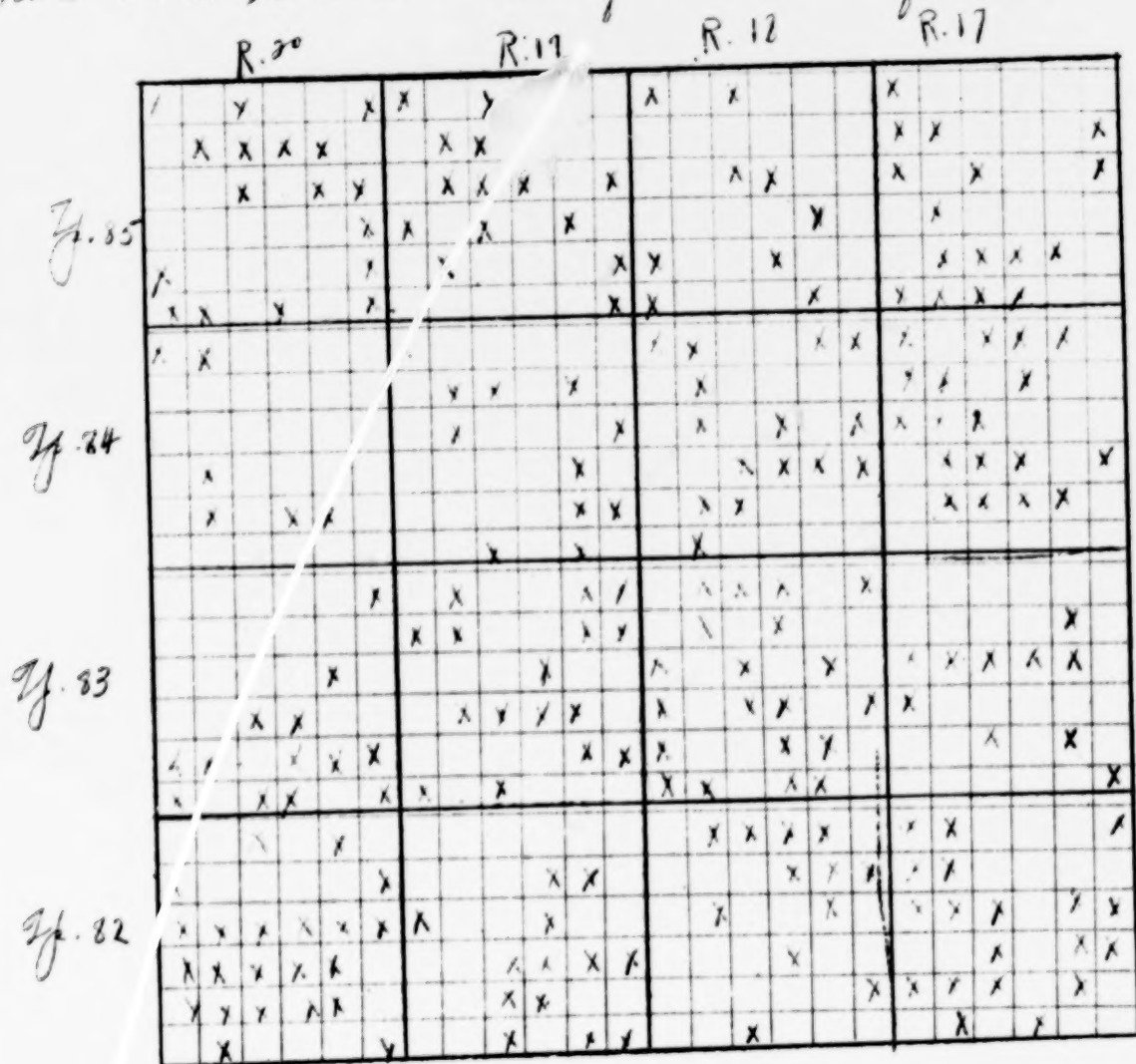
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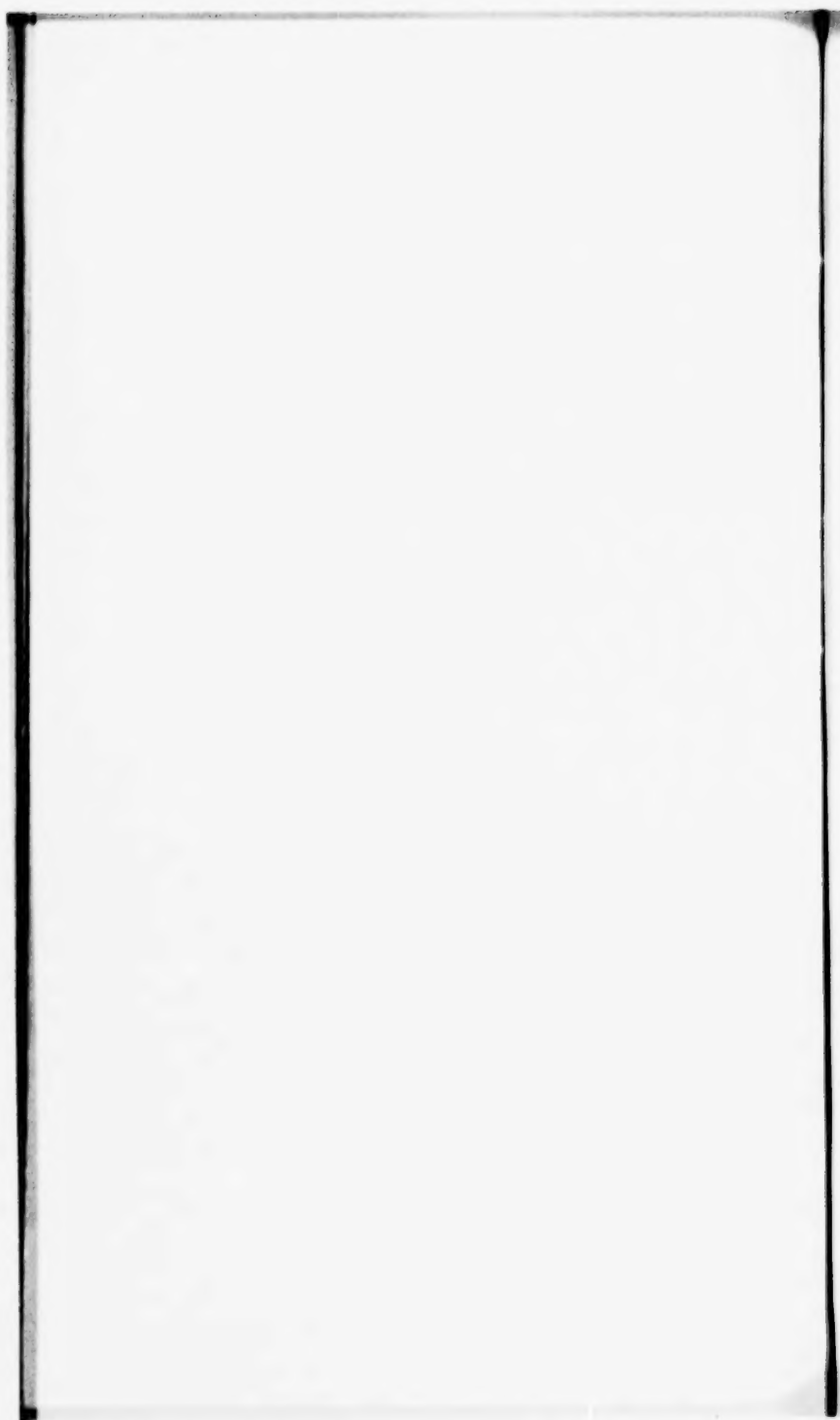
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Cerro Gordo Co. Iowa: - Flat of longstone
Sand & Shales 1930-31

~~Exhibit 1~~

(Copy)
 Marsh' all Co., June: - Plot of location of 1920-21 land sales
 Ex Lib A "1"





tion, range from 40 to 49, inclusive; and that in 5 of said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 50 to 59, inclusive.

3. That Exhibit "1," attached hereto, is intended to illustrate, for the counties of Cerro Gordo and Marshall, the wide distribution of the land transfers executed in 1920 and 1921 and covered by said investigation, among the various sections of the government townships included within said two counties; that the said diagram is fairly illustrative of the wide distribution of said land sales in the other remaining thirty-two counties covered by the land sales investigation conducted on behalf of said complainant.

T. A. Polleys.

Subscribed in my presence and sworn to before me by the said T. A. Polleys this 8th day of September, A. D. 1921.
Della Brody, Notary Public in and for Polk County, Iowa.

(Here follows Exhibit 1 to Polley's Affidavit, marked side folio pages 358 and 359.)

[fol. 360] IN THE DISTRICT COURT OF THE UNITED STATES IN AND
FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL
DIVISION, AT DES MOINES

[Title omitted]

(Copy)

EVIDENCE: EXHIBIT "7"

Affidavit of W. L. Harding, Former Governor of Iowa

STATE OF IOWA,
County of Polk, ss:

I, W. L. Harding, being first duly sworn, on my oath depose and say:

That I am a resident of Sioux City, Woodbury County, Iowa; that I was Governor of Iowa from the middle of January, 1917 to the middle of January, 1921; that during that period and all of that period, I was a member of the Executive Council of the State of Iowa; that as a member of said Executive Council, in the years 1917 and 1919, during the month of July, as by statute provided, the Executive Council sat as a State Board of Review on the equalization of all property other than public utilities; that said Executive Council had before it the values placed upon farm lands by the assessors from the various counties, said information being transmitted by the county auditors; that said Executive Council, in its deliberations, simply equalized the valuations of farm lands as between the various

counties; that there was no attempt made on the part of the Council [fol. 361] to fix the value of farm lands throughout the state of — in the various counties, but simply to equalize the values that had been placed thereon by the assessors throughout the state; that independent of this information, the Executive Council and the members thereof gathered information as to the actual value of farm lands throughout the state through the Secretary of the Executive Council sending out letters of inquiry to bankers, real estate dealers, farmers, and other classes of people in position to know the actual value of farm lands, as well as certain information in reference to actual sales that had taken place; that as an individual member of the Executive Council, I have traveled throughout every county in this state and have talked with many people in the various counties as to actual value of farm lands and upon this information and all other information which came to me, it is my opinion that the assessed value of farm lands, as equalized by the Executive Council, did not in any county exceed 50% of the actual value of farm lands in that county.

W. L. Harding.

Subscribed in my presence and sworn to before me by the said W. L. Harding this 10th day of September, A. D. 1921.
Della Brody, Notary Public in and for Polk County, Iowa.

[fol. 362] IN THE DISTRICT COURT OF THE UNITED STATES IN AND
FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL
DIVISION, AT DES MOINES

[Title omitted]

(Copy)

EVIDENCE: EXHIBIT "8"

*Affidavit of Frank S. Shaw, Former Auditor of State of the State of
Iowa*

STATE OF IOWA,
County of Polk, ss:

I, Frank S. Shaw, being first duly sworn, on my oath depose and say:

That I am a resident of Des Moines, Polk County, Iowa; that I was Auditor of State of the State of Iowa from January 2, 1915 to January 3, 1921; that during that period and all of that period, I was a member of the Executive Council of the State of Iowa; that as a member of said Executive Council, in the years 1915, 1917 and 1919, during the month of July, as by statute provided, the Executive Council sat as a State Board of Review on the equalization of all property other than public utilities; that said Executive Council had before it the values placed upon farm lands by the assessors from the various counties, said information being transmitted by the county auditors;

that said Executive Council, in its deliberations, simply equalized the valuations of farm lands as between the various counties; that there was no attempt made on the part of the Council to fix the value of farm lands throughout the state or in the various counties, [fol. 363] but simply to equalize the values that had been placed thereon by the assessors throughout the state; that independent of this information, the Executive Council and the members thereof gathered information as to the actual value of farm lands throughout the state through the Secretary of the Executive Council sending out letters of inquiry to bankers, real estate dealers, farmers, and other classes of people in position to know the actual value of farm lands, as well as certain information in reference to actual sales that had taken place; that as an individual member of the Executive Council, I have traveled throughout many counties in this state and have talked with many people in the various counties as to actual value of farm lands and upon this information and all other information which came to me, I am of the opinion that the assessed value of farm lands, as equalized by the Executive Council, did not in any county exceed 50% of the actual value of farm lands in that county.

Frank S. Shaw.

Subscribed in my presence and sworn to before me by the said Frank S. Shaw this 10th day of September, A. D. 1921. M. Helen Thompson, Notary Public in and for Polk County, Iowa.

[fol. 364] IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION, AT DES MOINES

[Title omitted]

(Copy)

EVIDENCE: EXHIBIT "D"

Affidavit of E. H. Hoyt, Former Treasurer of State of The State of Iowa

STATE OF IOWA,

County of Polk, ss:

I, E. H. Hoyt, being first duly sworn, on my oath depose and say:

That I am a resident of Manchester, Delaware County, Iowa, and that I have resided in the State of Iowa for more than forty years last past; that between May, 1917 and 1920, inclusive, I was Treasurer of the State of Iowa and by virtue of my office was a member of the Executive Council of the State of Iowa;

That by virtue of being a member of the Executive Council, I was also a member of the State Board of Review; that during the period I was a member of the Executive Council, said Council performed their duties with respect to equalizing the assessment of farm lands in the following manner:

From various sources of information, including their knowledge with respect thereto, the Council ascertained the average value of [fol. 365] farm lands in the various counties throughout the state for the year 1920. This was done principally by the Secretary of said Council, under their direction, securing the opinion of bankers, real estate men, farmers, and others in each of the counties of the state as to the value of farm lands in such counties. Based upon this information, the Council attempted to equalize the assessed value of farm lands as returned to it by the county auditors by raising or lowering such valuation so that as between the counties the assessed value of farm lands should bear the same relation to the actual value. The Executive Council did not attempt at any time to raise the assessed value of farms lands so as such assessed value should equal the actual value thereof, it being the theory of the Executive Council that their duties required simply the equalization as between the counties.

From the information above secured, it was found that the assessment upon farm lands as made by the county assessors as reported by the county auditors did not represent the actual value of such lands and in fact was very considerably below such actual value, nor did the assessed value of farm lands, as equalized by said Executive Council, represent the full actual value.

E. H. Hoyt.

Subscribed in my presence and sworn to before me by the said E. H. Hoyt this 10th day of September, A. D. 1921. Della Brody, Notary Public in and for Polk County, Iowa.

[fol. 366] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

(Copy)

EVIDENCE: EXHIBIT "10"

Affidavit in Support of Motion for Temporary Injunction

STATE OF IOWA.

County of Polk, ss:

I, A. B. Howland, being first duly sworn on oath state that I am a citizen and resident of the State of Iowa, and a practicing attorney and counselor at law.

That by Section 1377, et seq. of the Code of Iowa, it is provided that the county auditors of the respective counties within this State shall transmit to the Auditor of State an abstract of real and personal property in his county, showing the number of acres of land and the aggregate, actual and taxable value of the same, returned by the assessors as corrected by the County Board of Review, and the Executive Council, acting as a State Board of Review, shall adjust the valuation or property of the several counties, adding to or deducting from the valuation of each kind such percentage as will bring the same to its taxable value, as provided by law, and that the several schedules hereto attached are true and correct statements taken from the records of the Executive Council of Iowa, relating to the reports of said county auditors to the Executive Council, and show respectively the name of the county, the number of acres of land returned for [fol. 367] each county by the respective auditors thereof, also the average full or actual value per acre of such land, and the equalized or adjusted value thereof, as made by the Executive Council under Sections 1378 and 1379 of the Code of 1897; and that Exhibit "A" shows such facts hereinbefore stated for the years 1917 and 1918; Exhibit "B" shows such facts for the years 1919 and 1920, and Exhibit "C" for the year 1921, and said assessment as shown by said Exhibit "C" is the assessment upon which taxes for the year 1922 have been levied; that said figures have been computed from the records of the Executive Council of the State of Iowa, and are true and correct as shown by said records. That the average actual value of all farm lands of the State of Iowa as returned to the Executive Council and equalized or adjusted by such Executive Council for the years 1917 and 1918 was Sixty-eight and 13 100 Dollars (\$68.13) per acre; for the years 1919 and 1920 Seventy-five & 64 100 Dollars (\$75.64) per acre, and for the years 1921 and 1922 Seventy-six & 63 100 Dollars (\$76.63) per acre, as shown by the records of the said Executive Council of the State of Iowa.

A. B. Howland.

Subscribed and sworn to before me by the said A. B. Howland this 23rd day of October, A. D. 1922. M. H. Parmele,
Notary Public in and for said County.

[fol. 368] EXHIBIT A TO HOWLAND'S AFFIDAVIT

Schedule Showing Number of Acres of Land, Exclusive of Town Lots, and the Actual and Adjusted Value Thereof for Year- 1917 and 1918, as Provided in Section- 1377, 1378, and 1379, Code of Iowa.

County	Acres of land assessed	Reported value per acre	Adjusted value
Adair	355,851	\$57.36	\$57.65
Adams	266,213	63.59	66.23
Allamakee	406,063	40.10	42.65
Appanoose	310,630	47.32	48.10
Audubon	275,539	84.49	76.26
Benton	439,050	76.87	76.87
Black Hawk	348,330	74.23	73.31
Boone	350,739	76.40	76.66
Bremer	264,683	70.52	68.49
Buchanan	348,286	63.06	62.50
Buena Vista	353,901	78.28	78.56
Butler	355,242	75.63	75.63
Calhoun	350,628	77.83	74.91
Carroll	353,868	77.03	77.15
Cass	350,672	73.90	73.90
Cedar	356,066	80.08	79.89
Cerro Gordo	346,109	65.33	67.93
Cherokee	364,732	79.25	79.32
Chickasaw	311,275	63.37	62.16
Clarke	267,025	49.62	49.62
Clay	343,328	67.70	67.73
Clayton	476,389	42.07	55.43
Clinton	423,688	71.83	74.56
Crawford	440,539	80.69	80.45
Dallas	364,589	76.06	74.70
Davis	315,908	45.47	44.51
Decatur	328,580	37.51	45.97
Delaware	359,661	66.59	66.96
Des Moines	251,855	72.73	72.96
Dickinson	232,363	52.98	57.38
Dubuque	376,209	58.33	58.72
Emmet	238,615	61.28	57.78
Fayette	449,221	68.15	66.96
Floyd	312,143	48.90	67.65
Franklin	356,325	75.68	74.88
Fremont	311,082	51.54	60.96
Greene	355,282	76.35	76.63
Grundy	312,036	84.70	84.33
Guthrie	371,719	63.96	63.71
Hamilton	364,841	73.26	73.57
Hancock	354,539	52.76	54.93
Hardin	345,913	74.71	74.50
Harrison	425,369	61.30	63.17

County	Acres of land assessed	Reported value per acre	Adjusted value
Henry	259,954	73.81	73.81
Howard	291,595	56.47	56.43
Humboldt	270,371	72.23	71.61
Ida	267,160	91.26	84.00
Iowa	363,000	77.10	76.40
Jackson	393,632	54.68	54.68
Jasper	441,054	77.24	76.00
Jefferson	268,433	56.60	62.99
Johnson	380,729	64.60	75.06
Jones	353,318	62.92	64.02
[fol. 369]			
Keokuk	356,643	68.99	68.70
Kossuth	602,836	53.93	53.81
Lee	312,221	54.32	66.45
Linn	444,656	73.37	72.51
Louisa	249,862	73.68	74.00
Lucas	276,442	47.71	44.88
Lyon	360,760	85.73	77.31
Madison	351,825	62.35	62.22
Mahaska	354,298	74.60	73.60
Marion	308,928	63.21	63.21
Marshall	346,959	81.22	80.44
Mills	261,937	58.76	69.25
Mitchell	294,829	71.71	71.89
Monona	422,560	54.95	60.77
Monroe	262,004	45.11	45.16
Montgomery	260,747	75.70	76.15
Muscataine	265,654	74.36	74.36
O'Brien	352,010	83.96	82.52
Osceola	245,962	67.24	67.01
Page	326,684	77.72	75.61
Palo Alto	351,046	57.84	55.93
Plymouth	531,446	65.70	79.00
Pocahontas	357,060	78.97	72.00
Polk	340,027	100.38	89.79
Pottawattamie	576,761	66.11	68.57
Poweshiek	368,558	75.87	76.25
Ringgold	337,274	47.00	49.12
Sac	355,181	79.09	78.97
Scott	273,930	80.03	85.00
Story	347,709	80.51	82.14
Tama	442,365	72.45	75.76
Taylor	329,808	63.36	63.28
Union	270,410	53.35	59.61
Van Buren	303,518	34.35	48.25
Wapello	261,918	61.74	60.92
Warren	351,136	66.05	62.87

County	Acres of land assessed	Reported value per acre	Adjusted value
Washington	347,237	75.08	75.83
Wayne	322,254	47.75	54.13
Webster	440,954	74.28	72.62
Winnemago	247,045	55.00	54.63
Winneshiek	429,021	50.39	49.87
Woodbury	529,393	68.33	67.42
Worth	247,603	56.15	55.37
Wright	354,811	71.45	71.70
Shelby	369,916	75.81	76.43
Sioux	464,565	85.00	85.00
Total	34,383,141	\$66.86	\$68.13

[fol. 370] EXHIBIT B TO HOWLAND'S AFFIDAVIT

Schedule Showing Number of Acres of Land, Exclusive of Town Lots, and the Actual and Adjusted Value Thereof for Years 1919 and 1920, as Provided in Sections 1377, 1378, and 1379, Code of Iowa.

County	Acres of land assessed	Reported value per acre	Adjusted value
Adair	356,859	\$58.39	\$75.32
Adams	264,932	64.09	73.06
Allamakee	408,090	42.16	54.80
Appanoose	331,697	49.24	55.14
Audubon	275,814	94.69	89.96
Benton	411,559	77.24	84.19
Black Hawk	342,009	75.56	85.37
Boone	350,062	86.00	86.00
Bremer	263,660	71.33	78.34
Buchanan	346,503	63.32	70.28
Buena Vista	353,795	78.61	84.90
Butler	354,208	83.58	83.58
Calhoun	349,735	77.03	84.73
Carroll	351,938	81.97	90.16
Cass	350,101	75.92	81.99
Cedar	354,601	81.60	84.04
Cerro Gordo	346,137	79.05	79.05
Cherokee	364,197	79.54	85.10
Chickasaw	309,795	63.83	68.28
Clarke	265,255	49.78	59.73
Clay	342,608	74.61	76.84
Clayton	471,993	42.31	65.16
Clinton	400,913	71.34	84.18
Crawford	439,967	102.67	95.49
Dallas	365,292	76.60	84.26
Davis	349,537	44.49	55.15
Decatur	335,413	38.97	55.24

County	Acres of land assessed	Reported value per acre	Adjusted value
Delaware	362,479	69.73	69.73
Des Moines	249,519	72.30	75.19
Dickinson	273,901	73.88	75.06
Dubuque	369,920	62.43	73.18
Emmet	241,358	70.15	68.04
Fayette	448,502	69.49	75.04
Floyd	306,908	57.69	73.27
Franklin	358,091	76.58	76.58
Fremont	312,244	56.25	65.25
Greene	355,480	80.50	90.21
Grundy	310,866	85.71	95.14
Guthrie	367,148	64.39	72.76
Hamilton	364,948	75.04	80.29
Hancock	354,612	52.12	65.15
Hardin	349,512	74.82	83.79
Harrison	427,269	65.52	65.52
Henry	262,050	74.06	74.06
Howard	291,742	59.84	68.21
Humboldt	269,075	77.56	77.56
Ia	274,102	99.87	94.88
Iowa	359,469	78.69	84.19
Jackson	394,150	55.99	64.94
Jasper	446,035	78.44	83.93
Jefferson	264,608	57.26	75.00
Johnson	382,742	67.55	79.72
Jones	348,532	64.31	68.16

[fol. 371]

Keokuk	355,696	\$65.59	\$75.15
Kossuth	604,990	60.94	65.20
Lee	312,156	55.16	72.81
Linn	445,082	81.25	85.29
Louisa	249,608	74.24	74.24
Lucas	274,619	56.32	54.84
Lyon	360,759	78.57	90.35
Madison	354,244	72.66	72.66
Mahaska	354,393	75.67	75.67
Marion	348,854	61.88	68.06
Marshall	347,201	87.22	89.83
Mills	257,449	58.78	72.88
Mitchell	294,773	72.52	72.52
Monona	416,612	57.37	68.27
Monroe	264,771	46.15	54.92
Montgomery	260,558	75.39	82.17
Muscatine	262,459	76.42	80.31
O'Brien	351,926	84.66	94.81
Osceola	245,890	70.25	77.25
Page	326,522	78.30	78.30

County	Acres of land assessed	Reported value per acre	Adjusted value
Palo Alto	351,298	66.52	73.17
Plymouth	534,455	81.93	85.17
Pocahontas	538,050	87.54	80.54
Polk	367,526	87.35	89.97
Pottawattamie	567,617	74.99	77.70
Poweshiek	367,697	76.21	83.83
Ringgold	330,912	50.38	54.91
Sac	354,959	79.40	95.28
Scott	269,584	86.74	86.74
Shelby	365,147	75.51	89.85
Sioux	465,186	84.87	90.05
Story	347,465	81.25	95.07
Tama	444,864	76.25	83.87
Taylor	330,285	60.03	67.83
Union	269,477	53.46	65.22
Van Buren	303,072	34.85	55.07
Wapello	263,025	61.60	67.76
Warren	356,840	61.60	73.04
Washington	348,092	77.69	85.45
Wayne	321,548	53.80	62.95
Webster	440,006	80.87	80.87
Winnebago	255,296	56.30	65.30
Winneshie	428,172	50.91	65.16
Woodbury	521,764	77.98	77.98
Worth	246,971	56.86	64.82
Wright	357,160	71.53	77.25
	34,434,953	70.36	75.64

Assessed Adjusted Value	26,319,168.87
Assessed reported value	24,129,194.62

[fol. 372] EXHIBIT C TO HOWLAND'S AFFIDAVIT

Schedule Showing Number of Acres of Land, Exclusive of Town Lots, and the Actual and Adjusted Value Thereof for Years 1921 and 1922, as Provided in Sections 1377, 1378, and 1379, Code of Iowa.

County	Acres of land assessed	Reported value per acre	Adjusted value
Adair	356,161	\$59.30	\$75.31
Adams	265,248	64.33	73.33
Allamakee	407,153	42.66	54.60
Appanoose	312,861	45.23	55.18
Audubon	276,208	84.28	90.17
Benton	411,202	83.17	84.00
Black Hawk	342,197	76.36	85.42

County	Acres of land assessed	Reported value per acre	Adjusted value
Boone	350,517	87.89	87.89
Bremer	266,382	79.24	79.24
Buchanan	346,488	65.85	70.46
Buena Vista	353,675	78.61	84.90
Butler	355,806	79.01	79.80
Calhoun	348,867	99.36	84.46
Carroll	353,614	87.99	89.75
Cass	350,390	81.97	81.97
Cedar	353,866	84.62	84.62
Cerro Gordo	345,983	84.10	79.05
Cherokee	364,031	87.23	85.49
Chickasaw	310,175	68.61	68.61
Clarke	264,449	60.02	60.02
Clay	347,346	86.47	76.96
Clayton	468,366	42.68	65.30
Clinton	424,207	71.26	84.09
Crawford	440,101	96.05	96.05
Dallas	362,121	84.35	84.35
Davis	318,779	55.17	55.17
Decatur	338,214	42.42	55.15
Delaware	360,568	69.13	69.13
Des Moines	252,312	72.77	74.95
Dickinson	249,365	75.29	75.29
Dubuque	369,526	78.27	73.48
Emmet	240,544	64.66	67.89
Fayette	448,714	73.10	75.29
Floyd	306,225	57.46	73.55
Franklin	357,092	77.28	77.28
Fremont	313,393	66.17	66.17
Greene	355,517	87.97	90.41
Grundy	310,581	85.53	94.72
Guthrie	369,100	64.56	72.95
Hamilton	355,430	74.58	80.55
Hancock	354,296	53.15	65.37
Hardin	348,924	83.78	83.78
Harrison	426,928	62.75	65.30
Henry	362,034	74.93	74.93
Howard	291,556	59.46	68.38
Humboldt	269,329	77.35	77.35
Ia	266,853	101.14	95.07
Iowa	359,611	83.24	83.24
Jackson	397,547	64.76	64.76
Jasper	446,784	84.35	84.35
Jefferson	265,737	57.78	75.11
Johnson	379,711	65.95	79.80
Jones	353,810	66.67	68.00
Keokuk	358,867	74.71	74.71
Kossuth	605,347	67.68	64.97

County	Acres of land assessed	Reported value per acre	Adjusted value
Lee	310,405	55.49	72.69
[fol. 373]			
Linn	45,015	85.65	85.65
Louisa	250,019	73.82	73.82
Lucas	25,945	55.41	55.41
Lyons	36,736	78.53	90.31
Madison	35,511	73.56	73.56
Mahaska	355,351	75.79	75.79
Marion	351.82	61.81	67.98
Marshall	347,635	86.88	89.49
Mills	261,313	59.06	72.61
Mitchell	295,025	72.56	72.56
Monona	414,518	58.76	65.88
Monroe	264,619	49.23	51.14
Montgomery	260,006	76.60	82.08
Muscatine	265,206	75.91	80.46
O'Brien	351,992	81.58	91.73
Osceola	245,977	76.91	76.91
Page	319,371	80.19	78.59
Palo Alto	350,796	70.19	73.00
Plymouth	532,676	82.21	85.53
Pocahontas	357,721	88.63	80.75
Polk	339,672	100.72	89.61
Pottawattamie	573,291	75.51	75.81
Poweshiek	367,312	76.53	81.18
Ringgold	337,553	53.59	53.59
Sac	355,052	90.18	95.53
Scott	269,717	89.16	86.49
Shelby	363,685	76.61	89.67
Sioux	466,731	93.91	91.85
Story	347,360	81.97	95.08
Tama	448,778	81.17	83.61
Taylor	325,533	72.37	68.03
Union	261,749	53.11	65.16
Van Buren	301,392	31.91	55.16
Wapello	262,540	60.26	67.49
Warren	357,223	68.99	75.13
Washington	313,363	78.11	85.17
Wayne	321,903	53.67	63.15
Webster	410,804	80.89	80.89
Winnebago	254,425	70.59	65.65
Winneshek	426,859	61.56	61.56
Woodbury	526,626	86.83	78.15
Worth	252,337	65.11	61.81
Wright	356,405	72.41	71.31
Total	34,368,516	873.26	876.63

1921-1922.

[fol. 374] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA

[Title omitted]

EVIDENCE: EXHIBIT 13

Stipulation

Come now the parties to the above entitled cause and for the purpose of facilitating the hearing upon the application for a temporary injunction hereby stipulate and agree that upon the hearing of the application for a temporary injunction the introduction of evidence as to the market value of farm lands as contemplated by section 1305 of the Code of Iowa, 1897, on January 1, 1922, and August 1, 1922, is hereby waived and in lieu of the introduction of such evidence it is agreed that such evidence would show, if introduced, the average value of such lands on said dates to be one hundred twenty-five dollars (\$125.00) per acre.

Nothing in this stipulation contained shall be construed to limit either party hereto in the production of evidence as to such land values upon the final hearing in this cause.

W. F. Dickinson, W. F. Peter, J. G. Gamble, Attorneys for
Complainant. Ben J. Gibson, Attorneys for Respondents.

[fol. 375] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTH-
ERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

EVIDENCE: EXHIBIT 14

Affidavit of M. E. Keehan

STATE OF IOWA,

Polk County, ss:

I, M. E. Keehan, being first duly sworn on oath depose and say that I am Assistant Comptroller of the Chicago Great Western Railroad Company and have occupied said position continuously for the past two years, and that prior to that time I was Auditor of Disbursements for ten years; that as Assistant Comptroller I have direct charge and supervision, under the direction of Con F. Krebs, Comptroller, of all the records, accounts and books of said company and am familiar with the same and with the methods of accounting that are used as directed by the rules promulgated by the Interstate Commerce Commission, pursuant to the provisions of the Act of Congress to regulate commerce.

That I have examined the books and records of said railroad company and compiled figures therefrom which are shown in the ex-

hibits hereto attached, all of which are true and complete, and which may be taken into consideration in determining the actual market value of the property of the Chicago Great Western Railroad Company used and useful for railway purposes within the State of Iowa. [fol. 376] That said exhibits have been prepared under my direction from the books of the said company for the purpose of determining the actual market value of the property of the complainant, and said exhibits hereto attached are all true and correct.

The exhibits numbered as Tables 1 to 9 respectively, attached to this affidavit, are computations of figures on different bases, from which the value of the complainant's property within the State of Iowa may be determined.

With one exception, the exhibits show that the value of the system has been computed and an apportionment of said system value made to Iowa.

The complainant operates a railroad system of 1,496.06 miles, of which 1,410 miles is owned by it or the Mason City & Ft. Dodge Railroad Company, which has leased its entire property to the complainant for operation, in addition to which it operates through leases or trackage rights over an additional 86.06 miles. Of this mileage, 769.176 miles are located within the State of Iowa.

The complainant has received from the Bureau of Valuation of the Interstate Commerce Commission a tentative appraisement of the value of its property owned by it and used and useful for railway purposes, which, including the valuation fixed upon the property of the Mason City & Ft. Dodge Railroad Company, which for all purposes of this affidavit is treated as mileage owned by the complainant, is shown in Table No. 1. In fixing this valuation, the said Bureau also apportioned to the State of Iowa the value of the property located therein, which is shown by the said table to be 50.45 per cent of the value of the system and amounts in the State of Iowa to \$43,515 per mile.

In Table No. 2 there is tabulated the gross earnings in Iowa, operating expenses in Iowa and net earnings in Iowa, as the same are apportioned and carried upon the books of the company, such apportionment being made at the time the earnings accrued. In [fol. 377] computing the gross earnings as shown on the said books, the statute of the State of Iowa has been followed, and there has been credited to the State of Iowa such proportion of each item of revenue as the mileage of the general haul within the State bears to the mileage of the entire haul.

In apportioning the operating expenses to the State of Iowa for the purpose of determining the net earnings within the State such expenses are properly chargeable to operation under the classification of the Interstate Commerce Commission on account of the maintenance of way and structures, and each operating division has been taken as a unit and such expenses incurred upon the respective division within the State have been apportioned to Iowa in such proportion as the road mileage of each division within the State bears to the total mileage of such division.

The expenses incurred for the maintenance of equipment has been divided between the State and the system upon the basis of revenue engine mileage upon each operating division, that is, each division is likewise taken as a unit and the proportion of the revenue engine mileage within the State upon each division to the total revenue engine mileage of such division has been determined, and a charge of such expense of maintenance of equipment has been charged to Iowa in the same proportion.

At Oelwein there are maintained shops used for the repair and maintenance of locomotives and cars, used both within and without the State, and in which such locomotives and cars from all divisions are brought for such purpose.

The expenditures for the operation of such shops are divided into expenditures for maintenance of way and structures and maintenance of equipment; the former is included in the operating expenses in Iowa in such proportion as the road mileage in Iowa bears to the road mileage of the system operated. The latter are apportioned to the State of Iowa on the basis of the proportion that the revenue engine mileage within the State bears to the revenue engine mileage of the system operated.

All expenses incurred for the solicitation of business, classified by the Interstate Commerce Commission as traffic expenditures, are apportioned to the State of Iowa on the basis of the proportion that the revenue engine mileage within the State bears to the revenue engine mileage of the system.

The transportation expenditures, by which is meant the cost of the movement of trains, such as the wages of employees, fuel, et cetera, the payment of claims for damages to person and property occurring by reason of the operation of trains, the cost of maintenance of station forces, are chargeable to the operating expenses in Iowa in such proportion as the train mileage within the State bears to the train mileage of the system.

All expenses for the maintenance of the general offices, known as general expenses, are apportioned to the State of Iowa in such proportion as the total charges which are apportioned to the State of Iowa in the four general accounts, namely, maintenance of way, maintenance of equipment, traffic and transportation, bears to the total expense incurred upon the system in such accounts.

The expenditures incurred and chargeable to operating expense on account of hotels and restaurants are localized within the State of Iowa, and the cost of operation of dining and buffet cars is apportioned to the State of Iowa in such proportions as the mileage made by individual dining and buffet cars in the State of Iowa bears to the total mileage moved upon the system.

Expenses incurred for the hire of equipment, such as per diems on freight cars, are apportioned to the State of Iowa in such proportion [fol. 379] as the freight car mileage within the State bears to the freight car mileage upon the system. In computing per diems and charging them to the operating expense, that amount is charged to operating expenses which represents the net debit against the com-

plainant after allowing all claims due it on account of the use by other companies of the freight cars owned by it.

Any expenses that may have been incurred for the hire of equipment used in work train service is apportioned to the State of Iowa on the basis of the proportion which the main track miles in Iowa bears to the main track miles of the system.

In taking account of expenditures incurred on account of rents and charged to joint facilities, and miscellaneous rents, there is apportioned to the operating expense within the State of Iowa, such proportion of the net debit against the complainant as the revenue engine mileage within the State bears to the revenue engine mileage to the system. By net debit is meant the excess payments for rent of joint facilities over the amount of rents received from others for the use of the facilities of the complainant.

In apportioning revenues received, other than freight revenues and passenger revenues, to-wit, revenues derived from the transportation of the United States mail and express and the operation of dining and buffet cars, the following methods are used.

Revenue from transportation of United States mail is apportioned to the State of Iowa upon the basis of the mileage within the State of the various weighing districts, which are established by the Postmaster General.

Revenues derived from the transportation of express is apportioned to the State of Iowa on the basis of the mileage made by the various cars hauling express within the State to the mileage of the entire haul.

[fol. 380] The revenue derived from the operation of dining and buffet cars is apportioned to Iowa on the basis of the proportion which the mileage made by each individual dining and buffet car within the State bears to the mileage of the entire haul.

Table No. 2 represents the results of net earnings within the State, obtained in the foregoing manner, and shows the expense of the operation of the complainant's property in the State over a period of five years ending December 31, 1921.

It will be noticed that in the year 1920 there was a deficit from operation within the State of Iowa of something over \$2,000,000, and that in computing the value of the property within the State by capitalizing the net earnings shown in said table this deficit has not been taken into account, but that for the purpose of capitalizing the net earnings for said period, net earnings for the four years in which the revenues exceeded the expenses of operation only have been included. This table shows that if the net earnings within the State over the said period, without making any deduction on account of loss from operation in the year 1920, were capitalized at the low rate of five per cent per annum and divided by the number of miles within the State there is produced a value per mile of \$21,509.

Table No. 3 is a compilation of locomotive miles, train miles, car miles and ton miles moving over the system of the complainant during the five year period ending December 31, 1921, and showing the respective mileages of each upon the system and within the State of Iowa. This is done for the purpose of determining the percentage of

traffic which has moved within the State as compared to that moving on the system. The percentage for each year of the foregoing mileages moving within the state has been determined and an average taken of each for the five year period. Thus, it shows that the average percentage of locomotive miles moving within the State of Iowa during the said five year period is 49.97 per cent of the locomotive [fol. 381] mileage of the system; that the average percentage of the train mileage moving within the state is 52.83 per cent of the train miles of the system; that the average percentage of car miles during said period is 50.84 per cent of the car miles upon the system; and that the average percentage of the ton miles during said period is 52.6 per cent of the ton miles moving over the system.

These percentages were calculated for the purpose of use in apportioning to Iowa the proper percentage of system value as calculated in the methods shown in Tables 5, 7 and 8, respectively.

Table No. 4 is a statement showing all outstanding securities and capital issues and other obligations of the complainant, including the same of its subsidiaries, the Minneapolis Terminal, Mason City & Ft. Dodge, and Winona, Minnesota & Pacific, which were outstanding during the years 1917 to 1921 respectively and inclusive. The said table shows the par value of such securities and the total of the same and shows the average market value of each, computed upon the basis of the average price for which the same sold upon the market of the New York Stock Exchange wherever market quotations were available. This average is determined by taking the high point and the low point for each of the respective years for each of the classes of securities listed and applying the same to the number of outstanding units of such securities. In this calculation equipment trust notes and the obligations of the complainant to the U. S. Government for money borrowed is calculated at par. Where no market quotations have been available such as in the case of bonds of the Mason City & Ft. Dodge Company, the average market value has been computed on the basis of the amount asked at various times by holders thereof, even though no sales were made. So computed the table shows that the average annual market value of all securities during said period was \$35,273,488.

Table No. 5 shows an apportionment to Iowa of the system value as determined by Table No. 4, that is, the market value of stocks and [fol. 382] bonds by the use of the percentages shown in Table No. 3, and the use of the percentage of value located within the state by the Bureau of Valuation, Table No. 1, and the percentage of main track mileage within the state. Assuming the value to be as indicated by the market value of securities, shown in Table No. 4 to be \$35,273,488, the average value per mile in Iowa, apportioned on the bases of the various percentages shown in Table No. 3 and the percentage of physical valuation and main track mileage is \$23,794.

Table No. 6 is a statement showing the gross earnings, operating expenses and net earnings of the system of the complainant during each of the years from 1917 to 1921 inclusive, and shows said net earnings to be \$3,684,337.28.

If the foregoing net income for the five year period were capitalized at the rate of 5 per cent per annum, it shows the system value as shown by Table No. 7 to be \$15,537,349.20. In the said table there is also shown an apportionment to the State of Iowa on the bases of the same percentages as set out in Table No. 5, the average of which is \$10,510 per mile.

During the period of Federal control the system of complainant was operated by the U. S. Government for which the complainant was paid under the provisions of the Federal Control Act of Congress a certain rental known as the Standard return. This standard return was based upon the net earnings of the system for the three years ending June 30, 1917, which years were the most prosperous ever enjoyed by the complainant. Such standard return or annual rental allowed by the Interstate Commerce Commission pursuant to the terms of said Act of Congress, is the sum of \$2,953,449.94. If such sum were capitalized on the basis of 5 per cent for the purpose of determining the value of the system such value would amount to \$59,068,998.80.

In Table No. 8 is shown this value calculated by capitalization, on such basis, of the standard return, and same apportioned to Iowa on [fol. 383] the bases of the percentages set forth in Table No. 5, which shows that the average value per mile for all bases of the property of the complainant within the state was \$39,859.

If the average of all five methods used for determining the value apportioned on the six bases in the State of Iowa be the correct value of the property of the complainant within this state which is used and useful for railroad purposes, the same is shown in Table 9 to be \$27,837.

That the line of complainant's railroad extends from the city of Chicago, Illinois to the city of Oelwein, Iowa, and from that point it has a line extending to the city of Minneapolis, Minnesota, one from said point to Omaha, Nebraska and another one from said point to Kansas City Missouri, and also has a line extending from the city of Clarion, Iowa, a point on the line between Oelwein and Omaha, to Hayfield, Minnesota, a point on the line between Oelwein and Minneapolis.

As heretofore stated, the entire mileage owned by it is 1,410, in addition to which it operates through trackage rights or leases an additional 86.06 miles. 769,176 miles of the line owned by it, or the Mason City & Ft. Dodge Railroad Company, all the stock of which is owned by the complainant, is located in Iowa; 375 miles of which belongs to the Mason City & Ft. Dodge Railroad Company, being operated by the complainant under a lease of the facilities of said company to it, as part of the complainant's system.

The complainant owns no terminals at any of the termini to which its lines extend, except small freight terminals in the city of Minneapolis, and it is required, in order to reach Kansas City, Missouri, to operate over the lines of several different carriers. That the rentals paid on account of not owning terminals reduce the earning power of the complainant's property by greatly increasing its operating expenses.

That the complainant has never paid dividends upon its common stock; that the dividends upon its preferred stock never — been fully [fol. 384] paid and since the year 1914, there is in arrears an accumulation of twenty-five per cent of dividends on said preferred stock which are unpaid.

That for the first eight months of the year 1922, the complainant has failed to earn its operating expenses and fixed charges, and at the end of such period there was a deficit of approximately \$1,000,000.00.

The property of the complainant has been assessed by the Executive Council of the State of Iowa since the year 1914 at \$30,000.00 per mile, until the current year when the same was fixed at \$29,000.00. During the same period the value of the property of the Chicago & Northwestern Railroad Company in Iowa was assessed by the Executive Council at \$38,800.00 per mile, until the current year when it was fixed at \$38,000.00 and the property in Iowa belonging to the Chicago, Burlington & Quincy Railroad Company has been fixed at the sum of \$34,400.00 until the current year when the same was fixed at \$36,000.00.

That each of the lines named have lines extending from the Mississippi to the Missouri River within the State of Iowa, which are double track, and that each of the said companies own valuable terminals in various cities which they serve, they are companies which have commonly paid dividends upon their common stock and have accumulated surplus.

That affiant has examined the reports made by said companies to the Executive Council of the State of Iowa for the purpose of comparing their value with that of the complainant. Such reports disclose that the average earnings per mile of the Chicago & Northwestern Railroad Company in Iowa during the period from 1917 to 1921, inclusive, has been \$1,689.82, and that the average earnings per mile during each of said years of the Chicago, Burlington & Quincy Railroad Company in Iowa has been \$1,748.49 per mile, while the average earnings per mile during each of said years of the [fol. 385] complainant, before the payment of taxes, has been only the sum of \$314.96 per mile.

That the difference in value between the property of the complainant in Iowa and the property of each of the said lines within the State is far greater than the difference represented by the assessments of the respective properties as fixed by the Executive Council.

(Signed) M. E. Keehan.

Subscribed and sworn to before me this 20th day of October, A. D. 1922. W. E. Liljequist, Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 386]

TABLE No. 1

Physical valuation of entire system of C. G. W. R. R. Co. as tentatively determined by the Bureau of Valuation of the Interstate Commerce Commission..	\$665,324,461
Physical valuation of property in Iowa as tentatively determined by the Bureau of Valuation of the Interstate Commerce Commission.....	33,462,942
Value per mile in Iowa.....	43,515
Per cent of physical property in Iowa.....	50.45

[fol. 387]

TABLE No. 2

Statement of Gross Earnings, Operating Expenses, and Net Earnings of C. G. W. R. R. System in Iowa for Years 1917 to 1921, Inclusive

Mileage Owned and Operated in Iowa 769

Year.	Gross earnings	Operating expenses	Net earnings
1917	\$8,630,843.32	\$6,770,011.79	\$1,860,831.53
1918	9,867,708.51	9,611,982.05	255,726.46
1919	11,269,009.98	10,591,616.83	677,392.92
1920	12,404,016.05	11,501,616.83	(a) 2,097,600.78
1921	12,477,035.37	11,962,259.91	514,775.46

[fol. 388]

TABLE No. 3

Locomotive miles

	System	Iowa	Per cent
1917	7,941,782	3,974,243	50.04
1918	7,858,689	3,946,225	50.21
1919	7,821,736	3,877,522	49.57
1920	7,865,808	3,900,205	49.58
1921	7,641,548	3,856,097	50.46
Total	39,129,563	19,554,292	49.97

(a) Deficit—If the net earnings above shown were capitalized at five per cent considering only the years in which the earnings exceeded the operating expenses, the value per mile for the respective years would be as follows:

1917.....	\$48,385	An average for the four years of \$21,509 per mile.
1918.....	6,649	
1919.....	17,618	
1921.....	13,385	

If the total net earnings in Iowa for the five years, \$1,211,285.59 were capitalized at five per cent, we find a value per mile of \$6,290.

Town miles

	System	Iowa	Per cent
1917	5,852,542	3,119,761	53.30
1918	5,897,153	3,076,793	52.90
1919	5,250,394	3,076,973	52.59
1920	5,819,983	3,055,312	52.49
1921	5,731,981	3,035,889	52.96
Total	29,062,053	15,341,728	52.83

Car Miles (Not Including Work Car Miles)

	System	Iowa	Per cent
1917	120,207,388	61,142,564	50.86
1918	120,863,279	62,164,406	51.43
1919	121,443,492	61,303,618	50.47
1920	118,840,125	60,276,513	50.74
1921	129,270,655	65,575,617	50.72
Total	610,624,939	310,462,718	50.84

Ton Miles (Freight and Passenger)

	System	Iowa	Per cent
1917	2,103,055,877	1,101,710,215	52.23
1918	2,184,061,182	1,160,976,967	53.11
1919	2,161,723,258	1,133,260,905	52.35
1920	2,141,298,575	1,132,228,067	52.87
1921	1,961,762,253	1,019,166,083	51.95
Total	10,550,901,545	5,550,342,267	52.60

[fol. 389]

TABLE No. 4

C. G. W. Common Stock	\$45,210,513	\$4,549,308	\$3,842,894	\$4,323,255	\$4,040,690	\$3,475,558
C. G. W. Preferred Stock	43,926,602	13,013,256	11,091,467	11,415,426	10,322,751	7,220,455
C. G. W. First Mortgage Bonds	25,383,000	15,927,833	15,610,545	14,500,029	13,548,276	11,024,108
Minneapolis Term Bonds	500,000	300,000	300,000	300,000	300,000	300,000
M. C. & F. D. R. R. Co. Bonds	12,000,000	5,229,600	5,125,200	4,730,400	3,600,000	3,600,000
W. M. & P. R. R. Co. Bonds . .	11,000	4,793	4,698	4,503	3,300	3,300
Temp. Eq. Trust Notes	607,600	.....	.....	.....	607,600	607,600
U. S. Government Notes	2,205,373	.....	.....	.....	2,205,373	2,205,373
Total	<u>\$129,844,085</u>	<u>\$39,024,790</u>	<u>\$35,974,704</u>	<u>\$35,303,483</u>	<u>\$34,627,990</u>	<u>\$31,436,374</u>

Average annual market value of all securities during period, \$35,273,458.

[fol. 390]

TABLE No. 5

The value of system based on market quotations of outstanding securities (Table No. 4), taking an average for the 5 years 1917 to 1921, inclusive, was \$35,273,488.

If this value was apportioned to Iowa on the following bases, the results would be:

Basis	Per cent in Iowa	Valuation in Iowa	Value per mile
*Locomotive Mileage	49.97	\$17,626,162	\$22,911
*Train Mileage	52.83	18,634,983	24,233
*Ton Mileage	52.60	18,553,854	24,127
*Car Mileage	50.84	17,933,041	23,320
I. C. C. Physical Valuation.	50.45	17,795,474	23,141
Main Track Mileage	54.55	19,241,687	25,022

[fol. 391]

TABLE No. 6

*Statement of Gross Earnings, Operating Expenses, and Net Earnings
of U. G. W. R. R. System for Years 1917 to 1921, Inclusive*

Mileage Operated, 1,496.06

Year	Gross earnings	Operating expenses	Net earnings
1917	\$16,749,042.47	\$13,212,790.83	\$3,536,251.64
1918	19,320,312.18	18,605,823.55	714,488.63
1919	22,688,461.22	20,969,244.88	1,719,216.34
1920	26,912,814.60	30,030,798.66 (a)	3,117,984.06
1921	25,801,626.87	24,769,262.14	1,032,364.73
			<hr/>
			\$7,002,321.34
			3,117,984.06
			<hr/>
			\$3,884,337.28

[fol. 392]

TABLE No. 7

System net earnings for 5 years--1917 to 1921, inclusive	\$3,884,337.28
Average net earnings for 1 year	776,867.46
Value of property if capitalized at 5%	15,537,349.20

* These per cents are an average for the five years 1917 to 1921 inclusive.
(a) Deficit for 1920. Total net income for five years.

If the value of property as above indicated was assigned to Iowa on the following bases, the results would be:

Basis	Per cent in Iowa	Valuation in Iowa	Value per mile
*Locomotive Mileage	49.97	\$7,764,013.40	\$10,096
*Train Mileage	52.83	8,208,381.47	10,674
*Ton Mileage	52.60	8,172,645.68	10,627
*Car Mileage	50.84	7,899,188.23	10,272
I. C. C. Physical Valuation	50.45	7,838,592.67	10,193
Main Track Mileage	54.55	8,476,744.00	11,020

[fol. 393]

TABLE No. 8

Standard Return during Federal Control \$2,953,449.94
 Capitalized at 5% would indicate a property value of 59,068,998.80

If this value was assigned to property in Iowa on the following bases, the results would be:

Locomotive Mileage	49.97	\$29,516,768.70	\$38,374
Train Mileage	52.83	31,206,142.06	40,570
Ton Mileage	52.60	31,070,293.36	40,394
Car Mileage	50.84	30,030,678.98	39,041
I. C. C.—Physical Valuation	50.45	29,800,309.89	38,752
Main Track Mileage	54.55	32,222,138.84	42,023
			<hr/> \$239,154

Average per mile for all bases 39,859

[fol. 394]

TABLE No. 9

Recapitulation

Value per mile as shown by Table No. 1 (Physical Value)	\$43,515
Value per mile as shown by Table No. 2 (Net Earnings in Iowa)	21,509
Value per mile as shown by Table No. 5 (Mkt. Value Securities)	23,794
Value per mile as shown by Table No. 7 (System Net Earnings Apportioned)	10,510
Value per mile as shown by Table No. 8 (Standard returns capitalized and apportioned)	39,859
Grand Average Per Mile	<hr/> \$27,837

* These per cents are an average for the five years 1917 to 1921 inclusive.

[fol. 395] IN THE DISTRICT COURT OF THE UNITED STATES FOR
THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4196. Equity

[Title omitted]

EVIDENCE: EXHIBIT No. 19

Affidavit of W. C. Harvey

STATE OF IOWA,
Polk County, ss:

I, W. C. Harvey, being duly sworn, depose and say that I am Valuation Engineer for the Chicago Great Western Railroad Company, the above named Complainant, and have been employed by said Company in that capacity for the past six years; that as such Valuation Engineer I have had direct charge and supervision over the work of appraising, on behalf of said Complainant, its property used by it in transportation service and am familiar with the reports filed and received from the Bureau of Valuation of the Interstate Commerce Commission which are made by said Bureau under authority of the Act of Congress directing the Interstate Commerce Commission to determine the value of all railway properties over the United States.

That I have examined the affidavit, and Exhibits thereto attached, [fol. 396] of E. B. Ellis offered as defendants' Exhibit N. That in Item 8, Sheet 1, attached to said affidavit there is taken into account the sum of \$20,928,709 as the total value of the land of the entire system "including excess cost of acquisition plus incidental expenses." The amount appearing in the report of the said Bureau determined as the excess cost of acquisition and incidental expenses is \$10,109,431. That said report was received from the Bureau of Valuation prior to June 7, 1922, upon which date amendment to the valuation act went into effect, striking therefrom the following words in Par. Second: "and separately the original and present cost of condemnation and damages or of purchase in excess of such original cost or present value." Since the date of said amendment the Bureau of Valuation has not been taking into consideration nor determining the factor referred to in Affiant's said Item #8 as "excess cost of acquisition and incidental expenses."

That the said report further shows that the value of Complainant's land actually situated in the State of Iowa is \$3,490,308, not including the excess cost of acquisition, instead of \$7,614,305, as set forth in Item 9 on page 1 of Exhibit "1," attached to said affidavit. Deduction of this item, which is the amount of excess cost of acquisition apportioned to Iowa from the final result shown on sheet 2 of Exhibit "1," attached to said affidavit, brings a net result of \$32,696,771 as the physical value of Complainant's property within the State. This is \$800,000 less than the physical valuation shown in Table

#1 attached to the affidavit of M. E. Keehan, introduced as Complainant's Exhibit "14." The figures there shown include materials and supplies.

In Exhibit "27" the said Ellis sets forth an additional investment in road and equipment from June 30, 1916 to 1921, amounting to [fol. 397] \$10,960,397.67, which is apportioned to Iowa on the basis of the percentage shown in Exhibit "1" as 49 per cent and in Exhibit "3" is added to the physical value previously determined.

Of this \$10,960,397.67 of investment in road and equipment since June 30th, 1916, \$6,588,672.79 were placed therein at the time the Complainant acquired the property formerly belonging to the Wisconsin, Minnesota & Pacific Railway Company, which is now operating as part of its system and the valuation of which is included in the report of the Bureau of Valuation—that is to say, the valuation of this property as fixed by the Bureau of Valuation is included in Items 1 and 8. Therefore, to determine that amount as a sum expended for additions and betterments and added to the valuation shown in Exhibit "1" is a duplication.

That the Valuation Engineers of the Interstate Commerce Commission came to the Complainant's property on July 1st, 1916, and while the date as of which the value is tentatively determined is fixed at June 30th of that year, the appraisers were, as a matter of fact, working until late in December. That at said time there was much work under construction, which was appraised as if completed, and its value determined, though the charges therefor had not yet been taken into account, and that the amount shown in the accounts for additions and betterments from June 30th, 1916 was to a substantial proportion expended for work already included by the appraisers of the Commission and is included in the tentative value reported by them. The amount that will actually be allowed by the Commission for additions and betterments since June 30th, 1916 will be determined by it and will necessarily be a much smaller sum than appears in the books as having been expended subsequent to [fol. 398] that date. Work is now being done for the purpose of enabling the Commission to determine how much this addition would be, but it is impossible at the present time to make an accurate statement of the amount expended for additions and betterments since June 30th, 1916, which is not included in the tentative report.

What is herein said applies equally to the affidavit of Clifford Thorne, in so far as there is taken into account in said affidavit the account of expenditures for additions and betterments.

(Sgd.) W. C. Harvey.

Subscribed in my presence and sworn to before me by the above named W. C. Harvey this October 24th, 1922.
(Sgd.) Clifford V. Gore, Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 399] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

EVIDENCE: EXHIBIT No. 20

Affidavit of M. E. Keehan

STATE OF IOWA,

Polk County, ss:

I, M. E. Keehan, being duly sworn, depose and say that I am the M. E. Keehan who executed the Complainant's Exhibit "14".

That I have examined the affidavit of Clifford Thorne, introduced as defendants' Exhibit "O", and find the same in error in taking into account the expenditures for additions and betterments that is set forth in the affidavit of W. C. Harvey referring to the affidavits of Ellis and Thorne.

That I have further noted the tabulations of the capital expenditures account or the cost of property account carried on the books of Complainant.

That the cost of property account as carried on the Complainant's books does not represent the actual cash expenditure, but merely represents the par value of securities issued at the time the property was acquired, plus subsequent additions and betterments.

I further depose and say that the division of accounting of the Interstate Commerce Commission which has been working in connection with the Bureau of Valuation of said Commission has inspected the books of the Complainant for the purpose of determining the original cost of Complainant's property as reflected by its books, and have served a tentative accounting report wherein it is found that the original cost of the property as reflected by the books is approximately \$73,000,000 as of June 30th, 1916 instead of \$129,000,000 plus, shown in Exhibit "B", Sheet 1, of defendants' Exhibit "O", the affidavit of Clifford Thorne. In this figure is included the valuation of the W., M. & P. R. R., which was acquired in June 1920, and taken into the addition and betterments account that year.

The total additions and betterments from July 1st, 1916 to December 31st, 1921, less the amount representing the acquisition of the W., M. & P. R. R., is shown by Complainant's books to be \$4,382,222.45, of which \$1,236,844.18 was expended upon the road and structures within the State of Iowa and \$1,035,245.41 was assigned to Iowa on account of the purchase of equipment, the Locomotives being assigned on the basis of locomotive miles, freight train cars on the basis of freight train car miles, passenger cars on the basis of passenger train car miles and working equipment on the basis of road mileage, and while none of these additions of additions and betterments are duplications in the accounting records, they do represent

in some degree improvements and betterments which are included in the inventory taken by the Board of Valuation, but not taken into the accounts until after June 30th, 1916.

I further depose and say that the item of working capital which in [fol. 401] Exhibit "O" the affiant adds to the appraisalment of the physical property is in the case of the Complainant just about equal to the average amount of outstanding current bills and accruing pay rolls. That while the accounts for various dates show cash on hand, the Complainant does not in fact have any working capital in excess of current obligations. Therefore, in taking account of the conclusions expressed by affiant, Clifford Thorne, in said Exhibit "O" there should be taken therefrom \$2,457,896.05.

Attention is called to the fact that in Sheet 1, Exhibit "A", attached to said Exhibit "O", affiant assumes a total operating income for the year 1920 of \$3,394,051, and as a matter of fact for the year 1920 the Complainant's property was operated at a loss of said sum, as shown by the annual report filed with the Railroad Commission. Hence, the calculations following on an assumption for the year 1920 were erroneous.

Attention is further called to the fact that for the year 1921 on Sheet 1 of Exhibit "A" of said affidavit, affiant computes the net property income of the Complainant at \$1,712,649, whereas, in truth and in fact, said property income for the year was \$1,032,364.73, as shown in Table 6 attached to Exhibit "14", as will appear from examination of Exhibit "p", report of Complainant to the Executive Council for that year in Schedule 10 thereof.

(Sgd.) M. E. Keenan.

Subscribed and sworn to before me and in my presence this
October 24th, 1922. (Sgd.) Clifford V. Core, Notary
Public in and for Polk County, Iowa. (Seal.)

[fol. 402]

EVIDENCE: EXHIBIT B-1

(Copy)

Assessed Value of All Farm Lands

1913	\$2,276,108,116.00
1914	2,280,571,328.00
1915	2,313,303,936.00
1916	2,332,348,452.00
1917	2,348,372,196.00
1918	2,351,182,954.00
1919	2,627,598,052.00
1920	2,637,360,820.00
1921	2,633,893,939.00
1922	2,633,893,939.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values

of all farm lands in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 403]

EVIDENCE: EXHIBIT B-2

(Copy)

Assessed Value Town Lots

1913	.....	\$646,025,203.00
1914	.....	641,461,848.00
1915	.....	667,608,937.00
1916	.....	684,114,278.00
1917	.....	721,730,880.00
1918	.....	749,416,536.00
1919	.....	785,782,607.00
1920	.....	801,756,944.00
1921	.....	866,429,042.00
1922	.....	872,242,893.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of town lots in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 404]

EVIDENCE: EXHIBIT B-3

(Copy)

Assessed Value Bank Stock

1913	.....	\$59,956,973.00
1914	.....	63,361,915.00
1915	.....	69,212,104.00
1916	.....	67,816,506.00
1917	.....	64,593,450.00
1918	.....	73,939,505.00
1919	.....	48,187,476.00
1920	.....	50,908,146.00
1921	.....	106,318,723.00
1922	.....	84,970,710.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all the bank stock in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 405]

EVIDENCE: EXHIBIT B-4

(Copy)

Assessed Value Live Stock

1913	\$217,591,426.00
1914	242,703,586.00
1915	253,631,172.00
1916	264,497,977.00
1917	281,966,560.00
1918	361,816,512.00
1919	380,577,400.00
1920	344,414,603.00
1921	253,939,053.00
1922	204,059,267.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all the live stock in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 406]

EVIDENCE: EXHIBIT B-5

(Copy)

Assessed Value Transmission Lines

1921	\$4,705,880.00
1922	5,184,746.61

I, E. Mae Sweany, Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed value of all transmission line property in the State

of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mae Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 407]

EVIDENCE: EXHIBIT B-6

(Copy)

Assessed Value Telegraph and Telephone

1913	\$18,422,000.00
1914	18,800,758.00
1915	20,529,308.00
1916	20,678,400.00
1917	21,871,832.00
1918	22,482,776.00
1919	23,530,692.00
1920	24,314,748.00
1921	32,310,912.00
1922	29,359,322.00

I, E. Mae Sweany, Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all telegraph and telephone property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mae Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 408]

EVIDENCE: EXHIBIT B-7

(Copy)

Assessed Value Express Property

1913	\$1,490,836.00
1914	1,205,548.00
1915	1,249,356.00
1916	1,249,336.00
1917	1,243,844.00
1918	1,238,408.00
1919	1,239,688.00
1920	1,236,400.00
1921	1,323,332.00
1922	1,305,537.12

I, E. Mae Sweany, Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all express property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mae Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 409]

EVIDENCE: EXHIBIT B-8

(Copy)

*Assessed Value of All Other Property, Including Moneys and Credits,
Excluding Railroad Property and Farm Lands*

1913.....	\$626,042,452.00
1914.....	361,325,156.00
1915.....	376,176,402.00
1916.....	417,751,273.00
1917.....	450,859,432.00
1918.....	559,194,080.00
1919.....	606,757,876.00
1920.....	837,195,209.00
1921.....	883,055,497.00
1922.....	855,467,828.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all other property, including moneys and credits, in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 410]

EVIDENCE: EXHIBIT B-9

(Copy)

Assessed Value Railroad Property

1913.....	\$320,426,884.00
1914.....	321,664,008.00
1915.....	324,600,368.00
1916.....	324,600,380.00
1917.....	325,753,908.00
1918.....	325,445,892.00
1919.....	324,857,796.00
1920.....	326,958,204.00
1921.....	329,974,735.20
1922.....	326,621,939.00

I, E. Mac Sweany, Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all railroad property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mac Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 411]

EVIDENCE: EXHIBIT B-10

(Copy)

Assessed Value of All Property Except Farm Land and Railroad Property

1913.....	\$1,249,102,106.00
1914.....	1,328,798,811.00
1915.....	1,388,407,279.00
1916.....	1,456,107,770.00
1917.....	1,542,265,998.00
1918.....	1,768,087,817.00
1919.....	1,846,075,739.00
1920.....	2,059,826,050.00
1921.....	2,148,081,434.00
1922.....	2,152,590,303.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all property except farm lands and railroad property, in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and

are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 412]

EVIDENCE: EXHIBIT B-11

(Copy)

Assessed Value of All Property Except Railroad Property

1913.....	\$3,553,632.382.00
1914.....	3,636,154,538.00
1915.....	3,735,532,144.00
1916.....	3,809,941,970.00
1917.....	3,885,086,617.00
1918.....	4,119,309,290.00
1919.....	4,477,992,626.00
1920.....	4,712,590,188.00
1921.....	4,781,975,378.00
1922.....	4,786,484,242.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all property except railroad property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 413]

EVIDENCE: EXHIBIT B-12

(Copy)

Assessed Value of All Property, Including Railroad Property

1913.....	\$3,874,059,266.00
1914.....	3,957,818,546.00
1915.....	4,060,132,512.00
1916.....	4,134,542,350.00
1917.....	4,210,840,525.00
1918.....	4,444,755,182.00
1919.....	4,802,850,422.00
1920.....	5,039,548,392.00
1921.....	5,111,950,113.00
1922.....	5,113,106,181.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values

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*Consolidated Table Showing Entire Line Operating Revenues and Operating Expenses and Net Railway Operating Income and Operating Ratio
Operating Revenues and Expenses for Seven Months Ended July 31, 1921 and 1922, of the Railroads Na*

Railway companies	Year	Average miles of road operated	Operating revenues			Operating expenses			Net oper.
			Freight	Passenger	Total	Maintenance of way and structures	Maintenance of equipment	Total	
Chicago, Burlington & Quincy R. R.	1922	9393.69	\$63283350	\$15794271	\$87244590	\$11289002	\$17867096	\$66227317	\$2
" " " "	1921	9392.62	66524405	18403954	92426593	10447143	18965915	72182592]
Chicago & Northwestern Ry.	1922	8402.28	54512834	17074068	80341437	10522558	15896565	65388984	-
" " " "	1921	8402.28	51761764	20099375	79821464	12189321	19906606	76269729	-
Chicago, Milwaukee & St. Paul. . . .	1922	11030.25	61102179	13638098	83851104	11155614	20663240	71707222	-
" " " "	1921	10670.31	56098945	15949205	79967120	10236167	19921950	74286258	-
Chicago, Rock Island & Pacific. . . .	1922	7661.69	46109851	15015036	66084247	8455996	13568465	53296304	-
" " " "	1921	7661.63	51720607	17321144	73896404	9906757	16712255	62152593	-
Chicago, St. P., Minn. & Omaha. . . .	1922	1749.19	10733499	3520084	15379723	1954030	2787451	12711942	-
" " " "	1921	1749.19	10222411	4108421	15307511	1918607	3460003	14491226	-
Great Northern.	1922	8264.72	38020333	8282058	51745576	7504353	9897605	41523659	-
" " " "	1921	8164.88	35068773	9550875	50046749	8369125	11595132	45654483	-
Union Pacific.	1922	3683.55	38577580	9766284	53498279	6249315	11385590	37778042	-
" " " "	1921	3614.39	41153284	11423558	58023239	6107647	12423362	41410638	-
Wabash Railway.	1922	2472.96	25645164	5241526	33273800	4708637	6318780	27130307	-
" " " "	1921	2472.96	25941167	5861731	33694921	5501796	6930611	29928047	-

— Deficit.

Authority—Interstate Commerce Commission,
Bureau of Statistics.

(Copy)

Line Operating Revenues and Operating Expenses and Net Railway Operating Income and Operating Ratio and Per Cent Maintenance Expenses Bear to Operating Revenues and Expenses for Seven Months Ended July 31, 1921 and 1922, of the Railroads Named

Year	Average miles of road operated	Operating revenues			Operating expenses			Net railway operating income	Operating ratio, %	Maintenance expenses, % of	
		Freight	Passenger	Total	Maintenance of way and structures	Maintenance of equipment	Total			Op. revenues	Op. expenses
1922	9393.69	\$63283350	\$15794271	\$87244590	\$11289002	\$17867096	\$66227317	\$13628812	75.9	33.4	44.0
1921	9392.62	66524405	18403954	92426593	10447143	18965915	72182592	13831646	78.1	31.8	40.8
1922	8402.28	54512834	17074068	80341437	10522558	15896565	65388984	9627691	81.4	32.9	40.4
1921	8402.28	51761764	20099375	79821464	12189321	19906606	76269729	-1611090	95.6	40.2	42.1
1922	11030.25	61102179	13638098	83851104	11155614	20663240	71707222	3951689	85.5	37.9	44.4
1921	10670.31	56098945	15949205	79967120	10236167	19921950	74286258	-1794056	92.9	37.7	40.6
1922	7661.69	46109851	15015036	66084247	8455996	13568465	53296304	7208077	80.7	33.3	41.3
1921	7661.63	51720607	17321144	73896404	9906757	16712255	62152593	6324946	84.1	36.0	42.8
1922	1749.19	10733499	3520084	15379723	1954030	2787451	12711942	1507759	82.7	30.8	37.3
1921	1749.19	10222411	4108421	15307511	1918607	3460003	14491226	-376338	94.7	35.1	37.1
1922	8264.72	38020333	8282058	51745576	7504353	9897605	41523659	6449503	80.2	33.6	41.9
1921	8164.88	35068773	9550875	50046749	8369125	11595132	45654483	-538012	91.2	39.9	43.7
1922	3683.55	38577580	9766284	53498279	6249315	11385590	37778042	11532079	70.6	33.0	46.7
1921	3614.39	41153284	11423558	58023239	6107647	12423362	41410638	12302080	71.4	31.9	44.7
1922	2472.96	25645164	5241526	33273800	4708637	6318780	27130307	2963305	81.5	33.1	40.6
1921	2472.96	25941167	5861731	33694921	5501796	6930611	29928047	1128175	88.8	36.9	41.5

Source Commission.
ties.

of all property, including railroad property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made by the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 414]

EVIDENCE: EXHIBIT II

(Copy)

STATE OF IOWA,

County of Polk, ss:

I, C. B. Ellis, being first duly sworn on oath depose and say that the attached Exhibit is a true and correct compilation of the expenditures for road and equipment and general expenditures for each of the several roads affected, for the years ending June 30, 1914 to December 31, 1921, inclusive. The exhibit is prepared from the reports filed with the Railroad Commission of the State of Iowa by each of the carriers affected.

Dated this 21st day of October, A. D. 1922.

(Sgd.) C. B. Ellis, Chief Statistician for the Railroad Commission of the State of Iowa.

Subscribed and sworn to by C. B. Ellis, before me, this 21st day of October, A. D., 1922. (Sgd.) Winogene Hobbs.

(Here follows statement marked side folio page 415.)

[fol. 416]

EVIDENCE: EXHIBIT J

(Copy)

STATE OF IOWA,

County of Polk, ss:

I, C. B. Ellis, under oath depose and state that I am statistician for the Board of Railroad Commissioners of the State of Iowa, and that I have compiled the attached consolidated table showing entire line operating revenues, operating expenses, net railway operating income, operating ratio and per cent maintenance expenses bear to the operating revenues and expenses, for seven months, ending July 31, 1921, and 1922, for the carriers indicated as shown by the reports of the Bureau of Statistics of the Interstate Commerce Commission.

C. B. Ellis.

Subscribed and sworn to before me this 21st day of October, A. D., 1922. Winogene Hobbs.

(Here follows table marked side folio page 417.)

[fol. 418]

EVIDENCE: EXHIBIT L-1

(Copy)

Average Operating Ratio of All Lines Reporting to the Iowa Railroad Commission for the Years 1910 to 1921, Inclusive

1910	67.88%
1911	67.08
1912	68.81
1913	66.96
1914	67.73
1915	66.63
1916	63.88
1916	63.49
1917	68.66
1918	80.69
1919	82.35
1920	91.35
1921	79.21

STATE OF IOWA.

Polk County, ss:

I, C. B. Ellis, under oath, depose and state that I am statistician for the Board of Railroad Commissioners of Iowa, and that as such I am familiar with the records and reports on file with said board, and that the foregoing figures were computed from the official records and reports on file with the said board for the years indicated, and that same are true and correct as I verily believe.

(Sgd.) C. B. Ellis.

Subscribed and sworn to before me by said C. B. Ellis, this 23rd day of October, 1922. Winogene Hobbs, Notary Public in and for said County. (Seal.)

[fol. 419]

EVIDENCE: EXHIBIT M

Assessed Value Chicago Great Western Railway

1913	\$24,415,140.00
1914	23,178,930.00
1915	23,075,280.00
1916	23,075,280.00
1917	23,075,280.00
1918	23,075,280.00
1919	23,075,280.00
1920	23,075,280.00
1921	23,075,280.00
1922	22,306,104.00

I, E. Mae Sweaney, Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of the Chicago Great Western Railway Company in Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mae Sweaney, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 420]

EVIDENCE: EXHIBIT X

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT
OF IOWA, CENTRAL DIVISION

No. 4196. Equity

[Title omitted]

Affidavit of C. B. Ellis Concerning the Physical Value of the Property of the Chicago Great Western Railroad Company in the State of Iowa.

STATE OF IOWA.

Polk County, ss:

I, C. B. Ellis, under oath depose and state:

1. That I am a resident of Iowa, and that I am the Statistician for the Board of Railroad Commissioners of the State of Iowa and have served in such capacity for more than four years. In such capacity, I have been in constant touch with railroad accounting and I am familiar with the records and reports concerning railroad operations and accounting on file with the Iowa Board of Railroad Commissioners; that I am familiar with the reports of the valuation department of the Interstate Commerce Commission, which show the tentative values of the cost of reproduction, less depreciation, of the physical property of the Chicago Great Western Railroad Company; that by reason of the nature of my work, I have had occasion to examine, and am familiar with, the reports filed with the Executive Council of the State of Iowa by the Chicago Great Western Railroad Company, and more particularly the annual report and the additional annual report of the Chicago Great Western Railroad Company for the year ending December 31, 1921.

2. That affiant has examined the records and published reports of the Board of Railroad Commissioners for the State of Iowa, of the

Interstate Commerce Commission and of the Bureau of Valuation of said Interstate Commerce Commission, the annual reports of the [fol. 421] Chicago Great Western Railroad Company to the Executive Council of the State of Iowa and to the Board of Railroad Commissioners for the State of Iowa, and that I have had prepared under my personal direction and supervision Exhibits "1," "2" and "3," which are hereby made a part of this affidavit, and that said exhibits present data in regard to the valuation of the physical property of the said Chicago Great Western Railroad Company for taxation purposes within the State of Iowa, and that said exhibits show the true and correct facts as disclosed by the aforesaid records and official reports as interpreted under prevailing accounting systems.

3. The following is a brief outline of the above named exhibits:

EXHIBIT "1"

Exhibit "1" shows the tentative valuation or reproduction cost, less depreciation of the physical property of the Chicago Great Western Railroad Company on June 30, 1916, as reported by the Valuation Department of the Interstate Commerce Commission in its land report and engineering report covering the Carrier's physical property. The exhibit shows the total reproduction cost, less depreciation, as of June 30, 1916, of all physical property exclusive of assessments and materials and supplies for both the system and proportioned to the State of Iowa. The total cost of reproduction of physical property owned or used for carrier purposes in Iowa, exclusive of assessments and materials and supplies, on June 30, 1916, was \$36,820,767.

EXHIBIT "2"

This exhibit shows the total investment in road and equipment by the Chicago Great Western Railroad Company for additions and betterments for the period beginning June 30, 1916, and ending December 31, 1921, for both the whole system and proportioned to Iowa. The exhibit shows that there is proportioned to Iowa \$4,403,887.78 for additions and betterments during that period. [fol. 422] Exhibit "3" shows the total reproduction cost, less depreciation, of all physical property used or owned for carrier purposes in the State of Iowa, exclusive of assessments and materials and supplies on hand on December 31, 1921; such final value proportioned to Iowa is \$41,224,654. The exhibit shows the total assessed value for the property of the Chicago Great Western Railroad Company in Iowa by the Executive Council of the State of Iowa for the year ending December 31, 1921, to be \$22,306,104. The exhibit shows that this assessed value by the Executive Council is 54.1% of the value of the total physical property in Iowa.

Further than this the exhibits are self-explanatory.

Wherefore; Affiant states that the final value of the physical property of the Chicago Great Western Railroad Company in Iowa, used

and useful for carrier purposes as determined from an examination of the authorities cited in Exhibits "1," "2" and "3," and by the exhibits themselves, on December 31, 1921, is \$41,224,654.

(Sgd.) C. B. Ellis.

Subscribed and sworn to before me by the said C. B. Ellis this 23rd day of October, 1922. (Sgd.) Winogene Hobbs,
Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 423]

EXHIBIT "1" TO ELLIS AFFIDAVIT

Chicago Great Western Railroad Company

*Reproduction Cost Less Depreciation of the Physical Property of the
C. G. W. R. R. Co. on June 30, 1916, as Reported by the Valua-
tion Department of the Interstate Commerce Commission*

For System and for Iowa

(1) Total reproduction cost less depreciation, of carrier property of whole system owned or used, exclusive of Land (acct. 2), Assessments (acct. 39), and Materials and Supplies, as of June 30, 1916: (Page 15, Engineering Report)	\$54,065,078
(2) Total reproduction cost less depreciation of carrier property distributed to Iowa owned or used, exclusive of Land (acct. 2), Assessments (acct. 39), and Materials and Supplies, as of June 30, 1916: (Page 17, Engineering Report)	23,780,958
(3) Total reproduction cost less depreciation of carrier property of whole system, not distributed to states, owned or used, exclusive of Land (acct. 2), Assessments (acct. 39), and Materials and Supplies, as of June 30, 1916: (Page 17-c, Engineering Report)	10,047,231
(4) Total property distributed, all less unallocated—total allocated for system (\$54,065,078 less \$10,047,231) except accts. 2, 39, and Material and Supplies. Paragraph (1) less paragraph (3)	44,017,847
(5) Percentage of total distributed property in Iowa to total distributed property of system (2) plus (4)	54%
(6) Amount of total undistributed property allocated to Iowa (54% of \$10,047,231) 54% of (3)	5,425,504
(7) Total property distributed and allocated to Iowa, of carrier property owned or used, exclusive of Land (acct. 2), Assessments (acct. 39), and materials and supplies, as of June 30, 1916. (2) plus (6)	29,206,462

Reproduction Cost Less Depreciation.—Continued.

- (8) Total Land value for entire system (including excess cost of acquisition plus incidental expenses): (Classes 1; 2-1; 2-2 Land Report) . . . 20,928,709
 Compiled from pages II, III, IV Summary of Land Report.
- (9) Total Land Value for Iowa (including excess cost of acquisition plus incidental expenses). (Classes 1; 2-1; 2-2 Land Report) . . . 7,614,305
 Compiled from pages I, III, IV, Summary of Land Report.
- (10) Total Land Value for System, including excess cost of acquisition plus incidental expenses, Public Domain and private lands. (Classes 1; 2-1; 2-2; 4, Schedule 1-A; 2-1-A; 1-B Land Report) . . . 21,913,789
 See (8). Pages IV-C, G, W., P. II (M. C. & F. D.) P. I. (M. M. & P.) Page V—Summary, P. VI—Summary.
- [fol. 424]
- (11) Total Land Value for Iowa, including excess cost of acquisition plus incidental expenses, Public Domain and private lands. (Classes 1; 2-1; 2-2, Schedule 1-A; 2-1-A; Land Report) . . . 7,640,573
 Page I, Summary; Page III, Summary; Page IV, Summary; Page V—Page VI.
- (12) Total carrier property for entire system owned or used exclusive of Assessments (acct. 39) and Materials and Supplies, as of June 30, 1916. (1) plus (8). (\$54,065,078 plus \$20,928,709) . . . 74,993,787
- (13) Total carrier property for Iowa, owned or used exclusive of Assessments (acct. 39) and Materials and Supplies, as of June 30, 1916. (7) plus (9). (\$29,206,462 plus \$7,614,305) . . . 36,820,767
- (14) Per cent of property in Iowa to total property of system, exclusive of Assessments (acct. 39) and Materials and Supplies, as of June 30, 1916. (13) divided by (12) . . . 49%

NOTE.—Figures taken and computed from Land Report and Engineering Report to the Governor of Iowa by the Bureau of Valuation of the Interstate Commerce Commission.

Inventory as of June 30, 1916.

[fol. 424¹/₂] EXHIBIT "2" TO ELLIS AFFIDAVIT

Chicago Great Western Railroad Company

Total Investment in Road and Equipment for Additions and Betterments from June 30, 1916, to December 31, 1921

For System and for Iowa

1. Total Investment in Road, Equipment and General Expenditures from June 30, 1914, to December 31, 1921, as reported by road to Executive Council in Add. Report filed July 25, 1922	\$12,601,128.87
(See page 11, Additional Annual Report for year ending December 31, 1921 to Executive Council.)	
2. Total amount of Expenditures for Road, Equipment and General Expenditures for years ending June 30, 1915 and 1916, as reported by the company to the Iowa Railroad Commissioners	1,640,731.20
(Page 203 of the annual reports to Iowa Board of Railroad Commissioners.)	
3. Total investment in Road and Equipment from June 30, 1916 to December 31, 1921, (1) less (2)	10,960,397.67
4. Total investment from June 30, 1916 to December 31, 1921, less 18% depreciation (82% of (3)	8,987,526.09
5. Allocated to Iowa (1916 to 1921) per cent 49 plus	4,403,887.78

[fol. 425] EXHIBIT "3" TO ELLIS AFFIDAVIT

Chicago Great Western Railroad Company

Value of Physical Property in Iowa on December 31, 1921

a. Total carrier property in and for Iowa, owned or used, exclusive of Assessments (Acct. 39) and Materials and Supplies, as of June 30, 1916, (Authority—Valuation Report, I. C. C.)	\$36,820,767
b. Total carrier property allocated and distributed to Iowa by per cent (49 plus per cent) for years June 30, 1916, to Dec. 31, 1921	4,403,887

Value of Physical Property.—Continued.

c. Total allocated and distributed carrier property in — for Iowa, exclusive of Assessments (Acct. 39) and Materials and Supplies, as of Dec. 31, 1921. (a) plus (b)	41,224,654
d. Total value assessed by Executive Council for car- rier property in Iowa, July, 1922, for year ending Dec. 31, 1921	22,306,104
e. Per cent of Assessment by Executive Council, to total allocated and distributed carrier property in Iowa, exclusive of assessments (Acct. 39) and Materials and Supplies, for year ending Dec. 31, 1921	54.1 plus %

Authority: Valuation Report of Interstate Commerce Com-
mission, Additional Annual Report to 1921 by carrier to
Executive Council of Iowa. Annual Reports by carrier to
the Board of Railroad Commissioners of Iowa.

[fol. 426] IN THE DISTRICT COURT OF THE UNITED STATES IN AND
FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL
DIVISION

No. 4196. Equity

CHICAGO GREAT WESTERN RAILROAD COMPANY, Complainant,

v.

NATHAN E. KENDALL, Governor of Iowa, et al., Defendants.

EVIDENCE: EXHIBIT O

*Affidavit of Clifford Thorne Concerning the Value of the Property
of Chicago Great Western Railroad Company in the State of
Iowa*

STATE OF ILLINOIS,
Cook County, ss:

I, Clifford Thorne, under oath, depose and state:

1. That I am a resident of Washington, Iowa, and have been a
resident of Iowa for forty-four years; that I served as a member of
the Board of Railroad Commissioners for the State of Iowa from
January 1, 1911, to January 1, 1917, on which date I resigned said
position and since then have been engaged in the general practice
of law, specializing as to railroad and commercial matters; that
in 1912, I served as Chairman of the Committee on Railroad Taxes
and Plans for Ascertaining the Fair Valuation of Railroad Property

of the National Association of Railway Commissioners. In such capacity, our Committee conducted a survey of the methods used in the various cities and states of the nation in the valuation of railroad property; that subsequent to said date, I have concentrated much of my time and attention on the examination of railroad accounting, financial and operating conditions, in the State of Iowa, and elsewhere.

2. That the State of Iowa has not made a physical appraisal of the railroad property within said state as has been done by many other states, but that Iowa has been relieved of this expense in the present proceeding by reason of the extended investigations made under the jurisdiction of the Interstate Commerce Commission and [fol. 427] by the admissions of the railroad company itself in official reports and published statements.

3. That affiant has examined the records and published reports of the Board of Railroad Commissioners for the State of Iowa, of the Interstate Commerce Commission and of the Bureau of Valuation of said Interstate Commerce Commission, the Annual Reports of the Chicago Great Western Railroad Co. (which will be hereinafter referred to as the Great Western Company) to its stockholders, to the Executive Council of the State of Iowa, and to the Board of Railroad Commissioners for the State of Iowa; that I have had prepared under my personal direction and supervision exhibits, A to I, inclusive, which are hereby made a part of this affidavit, and that said exhibits present data in regard to the valuation of the property of the said Great Western Company for taxation purposes within the State of Iowa, and that said affiant has no facts to present concerning the physical valuation of the property of said company, except as shown on the aforesaid records and official reports as interpreted under prevailing accounting systems.

4. That affiant believes that a value for taxation purposes should include the value of franchise and other intangible property which (aside from a relatively small allowance for going value representing actual expenditures incurred) is excluded in the valuation for rate making purposes; that he has constructed this series of exhibits in such manner as to show the value of these non-physical properties as well as the value of the physical property.

5. The following is a brief outline of the above-described exhibits:

Part I

Physical Property

EXHIBIT A

Net Income

This presents a review of the financial operations of the Great Western Company from 1912 to 1921 inclusive. There is only one

[fol. 428] phase of this exhibit upon which there will probably be radical diversions between the presentation offered by the Great Western Co. and by the State. Said Great Western Co. has claimed in its reports to the Board of Railroad Commissioners for the State of Iowa that in the year 1919, there was an actual deficit from operation with similar depleted revenues in 1918 and 1920; whereas, our exhibit shows for the year 1919, a net railway operating income amounting to more than \$2,000,000. This occurs because the Great Western Co. fails to include the guaranteed income from the Government.

EXHIBIT B

Investment in Road and Equipment

This table shows the alleged investment in road and equipment as carried in the sworn reports of the Great Western Co. to the Railway Commissioners of Iowa, the Interstate Commerce Commission and also as presented in their annual reports to their stockholders during the past ten years. In this total there is no allowance for working capital or materials and supplies, or franchise values or other intangible values. It shows a total for Iowa of \$67,851,687.

EXHIBIT C

Appraisal by Interstate Commerce Commission in Ex Parte 74

This exhibit presents an appraisal of the physical property of the Great Western Co. based upon the tentative values made by the Interstate Commerce Commission for 1920 in the proceeding known as Ex Parte 74. This appraisal was made upon the basis of figures submitted by the Great Western Company. The same appraisal was subsequently adopted by the Commission in the Spring of 1922 in the case known as Docket 13293. This exhibit shows a total apportioned to Iowa of \$61,796,350.

EXHIBIT D

Physical Values

*Great Western**

This exhibit presents the appraisal of the Rock Island property by the Department of the Bureau of Valuation of the Interstate Commerce Commission. The total value of the physical property within the State of Iowa, of the Chicago Great Western Railroad, is shown to be \$39,326,369. This contains no allowance for franchise or intangible values.

[*In pencil in copy.]

[fol. 430]

Value of the Property of the Chicago Great Western Railroad Company for Taxation Purposes With

Part I

Value of Physical Property

[fol. 431]

EXHIBIT "A" TO THORNE'S AFFIDAVIT

Sheet 1

Chicago Great Western Railroad Company

(Including Mason City & Fort Dodge Railroad and Wisconsin, Minnesota & Pacific Ra

	1912	1913	1914	1915	1916	19
Total Operating Income.....	\$2,380,788	\$3,146,192	\$2,927,341	\$2,889,931	\$4,292,013	\$3,14
± Net Railway Operating Income (Allowing for net debit or credit of Joint Facility Rents and Hire of Equipment).....	\$1,941,378	\$2,091,713	\$1,871,242	\$2,259,303	\$3,779,584	\$2,8
Tax Accruals.....	406,466	439,186	498,764	580,026	578,605	71
*Net Property Income.....	1,447,844	2,530,899	2,370,006	2,839,329	4,358,189	3,5

Average Net Property Income

System average for—	Ten years, 1912-1921	Six ye
Apportioned to State of Iowa On basis of	\$2,817,974.00	\$3,1
A	\$1,462,246.71	\$1,6
B	\$1,337,974.00	\$1,5
C	\$1,492,399.03	\$1,6
D	\$1,420,276.41	\$1,6
Average of four.....	\$1,430,474.05	\$1,6
Net Property Income—Entire Line—1921.....	\$1,712,619.00	
Apportioned to Iowa (Average of A, B, C, D., 1921).....	869,368.22	

Apportioned to State of Iowa: Iowa compared to system—A is in accordance with miles of road operated; B is in accordance with all tracks o
and D is in accordance with transportation car miles.

± Net Railway Operating Income, as defined in accounting rules, for the years 1918, 1919 and 1920 are not given, because in lieu thereof we use the Governm
1919 and the first two months of 1920, together with the Government guaranty from March 1 to Sept. 1, 1920. The figures opposite "Net Railway Operating Inc
less tax accruals.

* "Net Property Income" is used in these tables as equivalent to the net railway operating income without deducting taxes. Attention is called to the fact
the purpose of the government guaranty computations. Attention is also called to the fact that the Commission has never classed taxes as an operating expe
fusion with other terms currently used.

erty of the Chicago Great Western Railroad Company for Taxation Purposes Within the State of Iowa

Part I

Value of Physical Property

EXHIBIT "A" TO THORNE'S AFFIDAVIT

Sheet 1

Chicago Great Western Railroad Company

ing Mason City & Fort Dodge Railroad and Wisconsin, Minnesota & Pacific Railroad)

	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921
.....	\$2,380,788	\$3,146,192	\$2,927,341	\$2,889,931	\$4,292,013	\$3,146,192	\$530,190	\$1,939,215	\$3,394,051	\$2,382,085
or credit										
.....	\$1,041,378	\$2,091,713	\$1,871,242	\$2,259,303	\$3,779,584	\$2,816,222	\$2,190,358	\$2,154,860	\$2,486,950	\$812,681
.....	406,466	439,186	498,764	580,026	578,605	719,465	763,092	798,590	991,316	899,938
.....	1,447,844	2,530,899	2,370,006	2,839,329	4,358,189	3,535,687	2,953,450	2,953,450	3,478,268	1,712,619

Average Net Property Income

range for—	Ten years, 1912-1921	Six years, 1916-1921
State of Iowa	\$2,817,974.00	\$3,165,277.00
sis of		
.....	\$1,462,246.71	\$1,642,462.24
.....	\$1,337,974.00	\$1,502,873.52
.....	\$1,492,399.03	\$1,676,330.70
.....	\$1,420,276.41	\$1,605,428.49
.....	\$1,430,474.05	\$1,606,773.73
erty Income—Entire Line—1921.....	\$1,712,619.00	
ned to Iowa (Average of A, B, C, D, 1921).....	869,368.22	

A is in accordance with miles of road operated; B is in accordance with all tracks operated; C is in accordance with transportation train miles;

for the years 1918, 1919 and 1920 are not given, because in lieu thereof we use the Government "just compensation" paid for the use of railroad property in 1918, & guaranty from March 1 to Sept. 1, 1920. The figures opposite "Net Railway Operating Income" for this period represents the total received from the Government.

the net railway operating income without deducting taxes. Attention is called to the fact that Congress required the operating income to be so computed for & is also called to the fact that the Commission has never classed taxes as an operating expense. We have coined the phrase here stated in order to avoid con-

EXHIBIT "B" TO THORNE'S AFFIDAVIT

Chicago Great Western Railroad

(Including Mason City & Fort Dodge Railroad and Wisconsin, Minnesota & Pacific Railroad)

Value of Physical Property as Evidenced by the Investment in Road and Equipment According to the Annual Reports of the Interstate Commerce Commission for the State of Iowa, the Chicago Great Western Railroad

Investment in Road and Equipment

	1912	1913	1914	1915	1916	1917	1918
	*	*	*	*	*	±	±
	\$125,968,836	\$126,692,887	\$128,322,306	\$128,970,258	\$129,995,194	\$130,234,824	\$130,817,367
Apportioned to State of Iowa:							
Basis							
(A)	\$65,604,569.79	\$65,981,655.55	\$66,830,256.96	\$70,159,820.32	\$67,454,506.17	\$67,578,850.17	\$67,881,131.74
(B)	62,518,333.31	62,763,656.22	63,596,334.85	63,659,719.35	61,851,713.31	62,167,128.46	62,203,658.00
(C)	65,176,275.75	65,690,261.91	66,932,914.81	68,947,499.93	69,651,422.95	69,415,161.19	69,307,041.04
(D)	61,283,838.71	63,055,049.86	64,661,609.99	64,949,421.93	66,076,557.11	66,237,431.49	67,279,371.85
Total	\$254,583,017.56	\$257,490,623.54	\$262,021,316.61	\$267,716,461.56	\$265,034,199.54	\$265,418,571.31	\$266,671,202.63
Average	\$63,645,754.39	\$64,372,655.89	\$65,505,329.15	\$66,929,115.30	\$66,258,549.89	\$66,354,642.83	\$66,667,800.66
Percentage:							
Basis							
(A)	52.08	52.08	52.08	54.40	51.89	51.89	51.89
(B)	49.63	49.54	49.56	49.36	47.58	47.75	47.55
(C)	51.74	51.85	52.16	53.46	53.58	53.30	52.98
(D)	48.65	49.77	50.39	50.36	50.83	50.86	51.43

Entire Line—Value Physical Property 1921—\$178,904,201. Less accrued depreciation \$177,451,500.00.

Iowa Portion—Average for ten years 1912-1921..... 66,442,763.04.

These computations include no allowances for working capital or materials and supplies, and no allowances for going value, franchises or other interests.

Method of allocation to State of Iowa: A—Miles of line operated; B—Miles of track operated; C—Transportation train miles; D—Transportation equipment.

1921 Physical Value in Iowa, apportioned on Bases A, B, C, and D—\$67,854,687.05.

*Authority—Annual Report, Statistics of Railways in U. S. by I. C. C. for respective years.

±Authority—Annual Reports of Iowa Railroad Commission for respective years.

**Authority—Annual Report by C. G. W. to Iowa R. R. Comm. for year 1921, including Investment in Road and Equipment figure for the M. C. & Ft. D. and W. M. & R. R. Commission.

EXHIBIT "B" TO THORNE'S AFFIDAVIT

Chicago Great Western Railroad

(Including Mason City & Fort Dodge Railroad and Wisconsin, Minnesota & Pacific Railroad)

Investment in Road and Equipment According to the Annual Reports of the Interstate Commerce Commission, the Board of Railroad Commissioners of the State of Iowa, the Chicago Great Western Railroad

Investment in Road and Equipment

4	1915	1916	1917	1918	1919	1920	1921
	*	*	=	=	=	**	**
22,306	\$128,970,258	\$129,995,194	\$130,234,824	\$130,817,367	\$131,269,305	\$138,994,678	\$133,670,893
30,256.96	\$70,159,820.32	\$67,454,506.17	\$67,578,850.17	\$67,881,131.74	\$68,115,642.36	\$72,124,338.41	\$69,361,826.34
16,534.85	63,659,719.35	61,851,713.31	62,167,128.46	62,203,658.00	62,379,173.74	65,994,673.11	63,466,940.00
32,914.81	68,947,499.93	69,651,422.95	69,415,161.19	69,307,041.04	69,034,527.50	72,958,306.48	70,792,104.93
31,609.99	64,949,421.93	66,076,557.11	66,237,431.49	67,279,371.85	66,251,618.23	70,498,100.68	67,797,876.93
21,316.61	\$267,716,461.56	\$265,034,199.54	\$265,418,571.31	\$266,671,202.63	\$265,780,961.83	\$281,575,418.68	\$271,418,748.20
15,329.15	\$66,929,115.30	\$66,258,549.89	\$66,354,642.83	\$66,667,800.66	\$66,445,240.46	\$70,393,854.67	\$67,854,687.05
52.08	51.40	51.89	51.89	51.89	51.89	51.89	51.89
49.56	49.36	47.58	47.75	47.55	47.52	47.48	47.48
52.16	53.46	53.58	53.30	52.98	52.59	52.49	52.96
50.39	50.36	50.83	50.86	51.43	50.47	50.72	50.72

201. Less accrued depreciation \$177,451,500.00.

66,442,763.04.

Capital or materials and supplies, and no allowances for going value, franchises or other non-physical values.

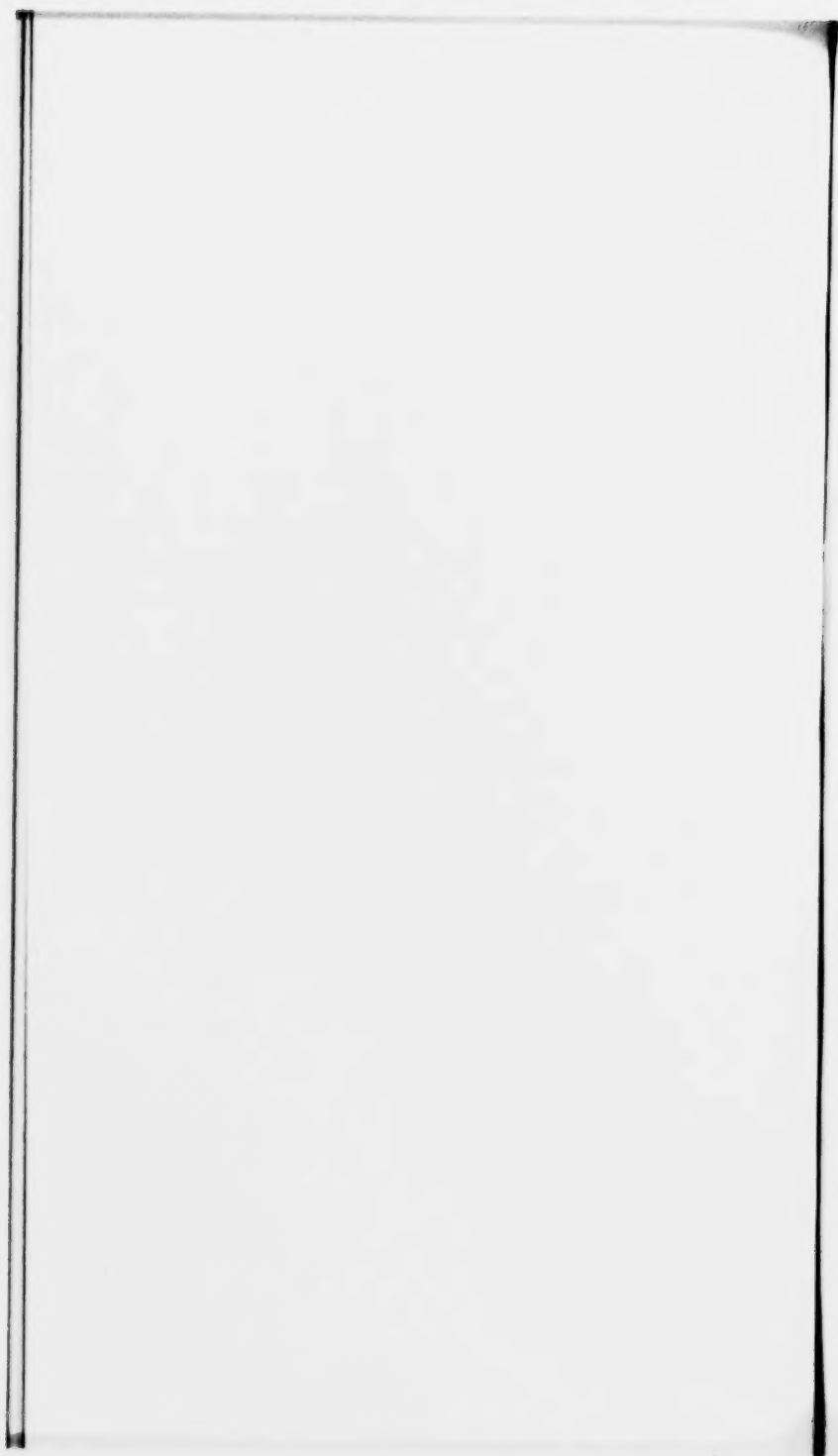
operated; B—Miles of track operated; C—Transportation train miles; D—Transportation car miles.

3. C. and D—\$67,854,687.05.

1. C. C. for respective years.

respective years.

or year 1921, including Investment in Road and Equipment figure for the M. C. & Ft. D. and W. M. & P. Railroad Companies as shown by the 1920 Report of the Iowa



[fol. 429]

EXHIBIT E

Michigan Method

This exhibit is the outline of the Michigan method of appraisal of non-physical values.

Summary

In Exhibits F to H inclusive, we present a summary showing the total value of the property of the Great Western Co. as previously outlined. These exhibits are self explanatory.

Exhibit I is a comparative statement showing the assessed value of the property of the Great Western Co. in the past seven years compared to the increases in their earnings and property value.

Wherefore: Affiant states that the values of the physical property of the Great Western Company within the State of Iowa, as claimed by that company in various proceedings before, and reports to the Executive Council of the State of Iowa, the Board of Railroad Commissioners of the State of Iowa, & the Interstate Commerce Commission, varies from \$39,000,000 to \$67,000,000.

(Signed) Clifford Thorne.

Subscribed and sworn to before me by the said Clifford Thorne this 13th day of October, 1922. (Signed) W. R. Matheny, Notary Public in and for Cook County, State of Illinois. My commission expires January 5, 1925. [Seal.]

(Here follow tables marked side folio pages 430, 431, and 432.)

[fol. 433] There is some confusion in the published reports of the various commissions concerning the investment accounts of the Chicago Great Western Railroad Company. However this is not of sufficient magnitude to vary the figures 10%. Beginning with 1917, the reports of the Interstate Commerce Commission do not give the property accounts of the two subsidiary companies—Mason City & Fort Dodge, and the Wis. Minn. & Pacific. In the reports of the Iowa Railroad Commission a foot note is carried in some years and omitted in others that the investment in road and equipment given includes the cost of certain securities. For the year 1921 the company reported to the Iowa Railroad Commission a total investment in road and equipment of \$121,567,232.84; for the same year the company reported to the Executive Council a total investment in road and equipment aggregating \$166,512,044.94, with a notation in the margin that this figure includes undetermined values of par amount of \$19,205,400.00 common, and \$13,635,752.00 preferred capital stock of Mason City & Fort Dodge R. R. Co., all of which is owned by the C. G. W. R. R. Co. It is difficult to reconcile these

various figures. Deducting the par of the securities named, would still fail to produce the total recorded to the Iowa Commission. In certain instances one of the subsidiaries is included, and in others it is not included.

Because of the complications involved we consulted the Comptroller of the C. G. W. R. R. Co., and we were advised that if we would take the published reports of the Iowa Railroad Commission and use the total investment in road and equipment for the companies—the C. G. W. R. R., the M. C. & F. D. R. R., and W. M. & P. R. R. added together, and then subtract the par of the securities stated in the foot note, we would have the net amount, so far as it could be secured, representing the investment in road and equipment of the C. G. W. System, corresponding to the operating statistics which were consolidated for the System.

We have adopted this method for these computations. However, we are confronted with this difficulty. The foot note referred to occurs in some of the published volumes and does not occur in others. We assume that the foot note applies to each year, otherwise the results would be wholly inconsistent. We have used the Iowa Railroad Commission reports for the years 1912 to 1920 inclusive. For the year 1921 we have used the figure filed with the Executive Council, and deducted the par of the securities stated in the foot note of said report. The cost of these securities would be the correct figure to deduct, but we are informed it is impossible to secure that item from the records of the company. A correct statement of that cost might show a very nominal deduction. A further fact bearing upon this is itemization of the investment figures presented to the Executive Council which produce a larger total. With the above qualifications we offer this table compiled from the sworn reports of the carrier.

[fol. 434] NOTES.—At foot of Exhibit "B" to Thorne's Affidavit (side folio 432).

[fol. 435] EXHIBIT C TO THORNE'S AFFIDAVIT

The Chicago Great Western Railroad Company

Value of Physical Property as Evidenced by the Tentative Valuation in ex Parte 74 (1920) and in Docket 13293 (1922) Made by the Interstate Commerce Commission

In each case the valuation fixed by the Commission was below that claimed by the Railway Company.

Property Investment of C. G. W. R. R. Co. shown in Ex Parte 74, before Interstate Commerce Commission	\$136,004,997
Deducting Leavenworth Terminal (operations not included in reports)	1,275,955
Property Investment—C. G. W. R. R.	\$134,729,042

(Authority Ex. No. 1, page 9, offered by the Western Carriers in Ex Parte 74, 58 I. C. C., 220)

The above figure includes claims for materials and supplies. The Interstate Commerce Commission reduced the property investment claims of the western carriers by 9.64%. Applying this percentage, we have for the C. R. I. & P. R. R. Co. \$121,740,163

The Commission adopted the same figures as to value in their findings in the General Rate Case, Docket 13293, 68 I. C. C. 676, in 1922.

The figure \$121,740,163 represents the value of the physical property of the C. G. W. R. R., as claimed by the Railroad itself, subject to a reduction made, under protest of the railroad, by the Interstate Commerce Commission in 1920, and confirmed by the Commission in the later case decided in 1922.

Apportionment to the State of Iowa

In accordance with Miles of Line Operated in 1921 (51.89%)	\$63,170,970.58
In accordance with miles of all tracks operated in 1921 (47.48%)	57,802,229.39
In accordance with transportation train miles in 1921 (52.96%)	64,473,590.32
In accordance with transportation car miles in 1921 (50.72%)	61,746,610.67
Average	<u>\$61,798,350.24</u>

[fol. 436] (NOTE.—Gross revenue was repudiated by the Supreme Court in the Minnesota and Missouri Rate Cases, reported in 230 U. S. reports, as a basis of apportionment for rate making purposes. However, the apportionment in Minnesota for taxation purposes has continued without contest, to be on the gross revenue basis, up to the present time. This basis was selected as the best method by the Hon. B. H. Moyer, of Wisconsin—subsequently appointed to the Interstate Commerce Commission—in his monograph on Methods for the Distribution of Railway Values Among States, published in Bulletin No. 21 of the Bureau of Census, Department of Commerce and Labor, entitled "Commercial Valuation of Railway Property in the United States." Furthermore the Iowa Statute makes frequent reference to the use of gross revenue in connection with the valuation of Iowa railroads for taxation purposes.)

[fol. 437] EXHIBIT "D" TO THORNE'S AFFIDAVIT

Chicago Great Western Railroad Company

Value of Physical Property as Evidenced by the Appraisal by the Bureau of Valuation of the Interstate Commerce Commission under the Valuation Act

The Land Report and the Engineering Report of the Bureau of Valuation of the Interstate Commerce Commission, inventory as of June 30, 1916, shows the following: total cost of reproduction, less depreciation, of all the physical property of the C. G. W. R. R. except land, materials and supplies and assessments, amounting to \$54,065,078; and a total present value of the carrier land as of June 30, 1916, amounting to \$10,819,279; making a total of \$64,884,357. The C. G. W. R. R. in its additional report to the Executive Council for the State of Iowa for the year ending December 31, 1921, showed a total value of working capital and materials and supplies amounting to \$4,271,490. The same report shows a total investment in road and equipment from June 30, 1914, to Dec. 31, 1921, of \$12,601,128. The reports of the same company to the Board of Railroad Commissions for the State of Iowa for the year ending June 30, 1915, and 1916, show a total amount of expenditures for road and equipment for those years of \$1,640,731. Consolidating these figures including the value of the land as of 1916, the cost of reproducing the physical property plus additions to property (subject to an 18% depreciation allowance), we have a total physical value of the C. G. W. system amounting to.....

\$78,143,373

The property apportioned to the State of Iowa is as follows:

Total reproduction cost, less depreciation, distributed to Iowa, less land, assessments, and materials and supplies on June 30, 1916.....	23,780,958
Total carrier land value for Iowa.....	3,490,399
The unallocated property, apportioned on the ratio of the property specifically distributed.....	5,425,504
Investment in road and equipment from June 30, 1916, to Dec. 31, 1921 apportioned to Iowa (on ratio of the distributed property in Iowa to the system in 1916)	4,493,763
Working capital and materials and supplies, apportioned to Iowa on basis just described.....	2,135,745
Total property in Iowa	<hr/> \$39,326,369

Comparative Table Showing the Increase or Decrease in the Assessments by the Executive Council, the Gross Earnings and the Physical Values, for Both the System and the State of Iowa for the Years 1915 to 1921, Inclusive

Year	Assessment by executive council	Gross earnings		Physical value of investment in road and equipment, \$ system
		System	Iowa	
1915	\$23,075,280.00	\$1,219,512.12	\$1,122,950.71	\$128,970,258
1916	23,075,280.00	1,4067,345	8,217,657.04	129,995,194
1917	23,075,280.00	16,368,323	8,443,506.00	130,234,824
1918	23,075,280.00	19,116,025	9,787,791.00	130,817,367
1919	23,075,280.00	22,128,189	11,269,598.35	131,269,305
1920	23,075,280.00	24,032,435	12,383,315.00	138,994,678
1921	23,075,280.00	24,228,611	.....	133,670,895

A. Accounting term for "Gross Earnings" is total operating revenues.

The assessments are shown during the year when made; they are based on the values of the preceding year.

Authorities: The assessments by the Executive Council are from the Reports of the Executive Council; the Gross Earnings of the system are from the Statistical Reports of the Interstate Commerce Commission for the respective years; the gross earnings for Iowa are from the Annual Reports of the Board of Railroad Commissioners of Iowa, for the respective years; the physical values for the system are from Exhibit "B," Sheet one.

Franchise and Other Intangible Values

Explanatory Statement

The Chicago, Rock Island & Pacific Company in its brief before the Interstate Commerce Commission, in Valuation Docket No. 152, protests against the inadequacy of the valuation of those properties tentatively made by the Commission, and sets up as one of its grounds, the following:

"That the reported cost of reproduction new of their respective properties is inadequate in that it is limited to an estimate of the alleged costs of the bare, undeveloped physical property; whereas the Carriers were on valuation date developed and organized transportation agencies with an established business, where physical properties were developed and adapted to the use to which they are devoted, to a greater extent than existed at the time when their original construction was completed. That costs are omitted which are naturally and inevitably incurred, and which were actually incurred by the respective Carriers, and which are in excess of and in addition to the engineering costs estimated for the physical property. That new railroads are operated at a deficit for a considerable period of time before traffic is built up and before maintenance and operating difficulties are overcome. In a normal program of reproduction this 'development period' must be allowed for, and these development costs included. That on account of such omitted costs of reproduction, the properties of the Carriers at the same actually existed on valuation date in a developed physical condition and with a developing business, there should be added to the reproduction costs for the specific accounts Nos. 1 to 77 inclusive, a sum not less than \$30,000,000. Inasmuch as the respective Carriers compose a single operating system, said cost is not apportioned among them."

Other claims are presented, aggregating in all almost \$200,000,000 in excess of what the Bureau of Valuation of the Interstate Commerce Commission has adopted for the valuation of the Rock Island Lines. This presentation will have to do with only a part of these claims of the Rock Island Company.

The term "Going Value," non physical value, intangible value, development cost, the value of an organized business, franchise value, etc. have been used in many appraisals and represent something of real worth to the owners of any established business. The reasons for including a portion only of what we ordinarily consider to be going value, and the reasons for excluding franchise value entirely in an appraisal for rate-making purposes, although it is eminently proper and fair to include franchise values in an appraisal for taxation purposes of a public utility or railroad, are all matters to be discussed in the briefs. We are here concerned only with a presentation of certain facts bearing upon an appraisal for taxation purposes.

[fol. 440] Various methods have been proposed for determining the non-physical value of a going enterprise which is not represented in the "bare bones" of the physical property by itself. This value must be determined at best by some arbitrary method, but the value is real nevertheless. A man selling a store or a factory in successful operation demands and ordinarily receives something more than the value of the physical property; this amount must be estimated and approximated; it is not tangible or physical, but it is very real and genuine in all business affairs.

I shall attempt to present a fair method for the determination of the franchise and other non-physical values of the railroads here involved. We shall present an outline of the methods used in various appraisals and shall apply one or more of these to the facts at issue in this proceeding.

Methods of Determining Franchise and Other Intangible Values

The Michigan Method

Exhibit E

Henry C. Adams, for twenty-four years chief statistician for the Interstate Commerce Commission was employed by the State of Michigan in 1901 in connection with their appraisals of Michigan railroads for taxation purposes. The basic policies and principles adopted by him at that time have been subsequently followed, with modifications as to details, in numerous other appraisals.

Exhibit E gives a complete copy of the communication to the Michigan Board of State Tax Commissioners, on March 27, 1901. In this communication Mr. Adams outlines in detail the method pursued by him. Attached to this letter is the form of compilation used by Mr. Adams.

In 1910, Mr. Adams appraised the franchise values of the United Railways of Detroit, using the same basic method as to capitalization of surplus, previously described. This work was done under the supervision of a Committee of Fifty. The result showed an intangible value equal to twenty-five per cent of the physical value. Another computation was made by Mr. Adams assuming for certain specified reasons, an increase in the gross earnings of the plant which showed the intangible value to equal thirty-eight per cent of the physical value.

The Bemis Method

Mr. E. W. Bemis, in 1899, appraised the value of the franchise of the street railway in Detroit for a Commission headed by Governor H. S. Pingree, in which the State proposed to authorize the [fol. 441] purchase of these properties by the City of Detroit. The method he adopted at this earlier date conforms to the principles subsequently adopted by Henry C. Adams for the Board of Tax

Commissioners of the State of Michigan. Mr. Bemis capitalized the net earnings of the property after allowing four per cent interest on the physical value of the plant, amounting to \$8,000,000. In this case the value of the franchise was fixed at \$8,478,563, or approximately 106 per cent of the value of the physical property.

The Wisconsin Method

A method was adopted by the Wisconsin State Railroad Commission for determining the going value or development cost of the property by capitalizing the past deficits from operation. For example, the amount by which a company failed to earn a certain percentage on its property was capitalized at a fixed percentage and that value was added to the physical value of the property. This method would make a very large "going value" for the "weak sister." The greater deficits a company had during previous years, the greater would be the value of its property. The poorer a company is, the richer it is—according to this method. We have not used this method. We mention it in passing simply to illustrate one of the methods that have been used in various states.

The Arnold Method

The Chicago Street Railways were appraised by Biron J. Arnold in 1906. Mr. Arnold adopted precisely the same principle as was used by Messrs. Bemis and Adams in the State of Michigan. Mr. Arnold allowed five per cent on the physical value of the plant, deducted this from the net revenue, and capitalized the surplus at five per cent.

Capitalization of Gross Earnings

The State Board of Appraisers in New Jersey at one time fixed the value of railroad property based upon gross earnings. The Supreme Court held in regard to the action of the Board:

"It is quite impossible for the court to say that the result thus reached is in anywise erroneous or excessive."

Commenting upon the action of the Board, the court said:

"That the amount of the capital stock and of the funded debt and other debts of the corporation or person taxable under the act aforesaid should be ascertained, and that the value thereof also be ascertained, and that in all cases where the aggregate amount of the value of the capital stock and of the securities representing said debts was less than the entire amount of the tangible property of such corporation, the value of the franchise should be ascertained by deducting from the aggregate amount of the value of such capital stock and of the securities representing such debts, the aggregate [fol. 442] amount of the value of said tangible property, and sixty

per centum of the amount remaining in each case should be taken and held to be the value of the franchise of such corporation; and that in all cases where the amount of the value of the capital stock and of the securities representing said debts was less than the value of the entire amount of the tangible property of such corporation, the gross earnings of such corporation should be ascertained and that twenty per centum of such gross earnings (being an amount which would make the tax upon the franchise of such corporation a sum equal to one-tenth of one per centum upon such gross earnings) should be taken and held to be the value of such corporation." (— v. —, 20 Vroom L.)

Capitalization of Gross Earnings is a very unsatisfactory guide. We can find the precedent of New Jersey followed in no state in the Union, not even in the State of New Jersey.

Wilcox Method

Mr. Delos F. Wilcox, (a Consulting Franchise and Public Utility Expert of New York City and Deputy Commissioner of the Department of Water Supply, Gas and Electricity), presented a statement entitled "Principles as to Franchise Values" published in the proceedings of the conference on valuation held at Philadelphia, November 10th, 1915. Mr. Wilcox summarized the principles which have been repeatedly approved in the various appraisals of franchises and non-physical properties in the following language:

"While it is much to be desired that the principles of valuation should be made as nearly uniform as possible so as to reduce the existing chaos in valuation matters to a minimum, yet for the present it is impracticable to apply strictly uniform principles to valuations for such widely different purposes as, (1) taxation; (2) rate-making; (3) condemnation; (4) involuntary sale; (5) voluntary purchase; and (6) capitalization. Taking up these several purposes seriatim, we consider the principles as to franchise values, giving due consideration to the character, duration and terminability of the franchise in each case.

"1. Franchise Values for Purposes of Taxation

"It is now well established that it is admissible to tax franchise values whenever and wherever they exist, without reference to the possibility of their being reduced or destroyed in the future, whether by expiration, by regulation of rates and services, by decrease in demand, by increase in expenses, or by other causes. It is to be noted, however, that in establishing a value for taxing purposes, when the tax is first imposed, if the taxing officials assess the franchise at its full market value as untaxed property, the imposition of the tax will automatically reduce this value and thereby reduce the assessment for the succeeding year and thereby reduce again the amount paid in taxes which in turn will have the effect of giving

back a portion of its original value of the franchise. This oscillation can be prevented if the effect of the tax is discounted in advance. [fol. 443] "It may be that a franchise is worth much less than it originally cost, or, indeed, much less than it would cost to reproduce it. Present value for taxing purposes is not to be determined either by actual cost or by assumed reproduction cost. The most widely accepted method of ascertaining franchise values for taxing purposes is the so-called net earnings method. From the gross earnings of the corporation are deducted, first, operating expenses, depreciation and taxes and, second, a fair minimum rate of return upon the value of all the physical property used and useful in rendering the service. Whatever is left represents the earnings of the franchise and, if capitalized, will represent the value of the franchise. Thus, the value of a franchise for taxation purposes is to be determined primarily by its earning power, which in turn, usually is the main factor in establishing its market value."

Arbitrary Percentages

Many tribunals and consulting engineers in valuing properties for purchase and sale have allowed for the franchise value on a blanket percentage basis, varying generally from 25 to 60 per cent.

Rock Island Allowances

In Valuation Docket 152 before the Interstate Commerce Commission, the Chicago, Rock Island & Pacific Railway Company has presented various claims for certain factors in the valuation of its properties, which have been omitted by the Interstate Commerce Commission according to the Rock Island Company.

In that portion of the exhibits filed with this affidavit, dealing with physical values, we have listed certain of these items which seem to be definitely physical in character, such as allowances for bridges, culverts, land, etc.

We here present certain additional claims of the Rock Island for the valuation of its properties which seem to be more non-physical or intangible in character, being arrived at generally by some arbitrary percentage method, rather than by the itemization of units of physical property on hand and definitely located. It is somewhat difficult to differentiate in some cases between the valuation of the physical and the valuation of the non-physical portion of the property belonging to a public service corporation. It is difficult to draw the line between night and day—where one ceases and the other begins, but we will acknowledge there is a difference.

We have listed the items claimed by the Chicago, Rock Island & Pacific Railway Company in our Exhibit; and we have also apporportioned these values to the State of Iowa. For the purpose of taxation we concede the existence of these property values belonging to the Chicago, Rock Island & Pacific Railway Company within the State of Iowa.

These specific items we have listed in the said exhibits approximate \$66,128,500 for the Rock Island Lines for the System as a whole (including the C. R. I. & G. and the Morris Terminal). This total sum is composed of the value of organized business, development cost, interest and taxes on land during construction and working [fol. 444] capital, including interest and taxes on land during the construction period. The total is equivalent to approximately 20% of the physical value of the Rock Island Lines as found by the Commission (\$335,538,263—this differs slightly from the total given in the annual report of the C. R. I. & P. Ry. Co. to its stockholders, but is checked from the Commission's records. Occasionally the Railway Company's figures may be used in these exhibits, causing a slight variation).

[fol. 445] EXHIBIT "E" TO THORNE'S AFFIDAVIT

The Michigan Method of Determining Value of Non-Physical Property

Communication from Henry C. Adams Relative to the Michigan Appraisal of Railroad Property Addressed to the Michigan Board of State Tax Commissioners March 27, 1901.

This is copied from a public document, being bulletin 21 of the Bureau of Census of the Department of Commerce and Labor.

Ann Arbor, Mich., March 27, 1901.

To the Michigan Board of State Tax Commissioners,

GENTLEMEN: I have the honor to submit to you my report upon the appraisal of the value of the nonphysical elements of Michigan railways. Ordinarily it would be adequate to state the results of such an appraisal without comment, but in view of the fact that the legislature is called upon to determine whether the ad valorem principle of taxing corporate property is to be substituted for the present method of specific taxation, it seems appropriate that these results be accompanied by such explanation and comment as is necessary to make clear the method which has been followed, to point out the difficulties encountered in the appraisal, and to suggest a few points that should find place in any law providing for the ad valorem taxation of railway property.

In October I presented to your honorable body a statement containing a rule for the appraisal of the nonphysical elements of corporate property. This rule, as also the analysis which accompanied it, received your approval, and is submitted in this connection, slightly modified, partly that it may be made a matter of public record and partly because this is the simplest way of explaining the principles which underlie the present appraisal.

(Letter Containing Rule for Computing Intangible Values of Railway Corporations)

Ann Arbor, October, 1900.

To the Board of State Tax Commissioners, Lansing, Mich.

GENTLEMEN: In reply to your request for a method of valuing the nonphysical element in railway properties, I submit the following:

First. It is understood that the object of the investigation instituted by the Michigan tax commissioners is to determine whether the properties imposed with specific taxes pay, upon their true value, a [fol. 446] rate equal to the rate paid by property taxed under the general tax law. The suggestions here submitted pertain to railways organized as corporations and whose chief business is that of transportation.

Second. It is understood, that, as one step in this investigation, the commission has undertaken to appraise the physical property of the railways (real estate included), and that the request made of me is to formulate a satisfactory rule for appraising the nonphysical or immaterial element in railway corporations.

Third. It is submitted that this nonphysical or immaterial element is not a single commercial element, but includes among other things the following:

1. It includes the franchise—

(a) To be a corporation.

(b) To use public property and employ public authority for corporate ends.

2. It includes the possession of traffic not exposed to competition, as, for example, local traffic.

3. It includes the possession of traffic held by established connections, although exposed to competition, as, for example, through traffic that is secured because the line in question is a link in a through route.

4. It includes the benefit of economies made possible by increased density of traffic.

5. It includes a value on account of the organization and vitality of the industries served by the corporation, as well as of the organization and vitality of the industry which renders the service this value, consequently, is, in part, of the nature of an unearned increment to the corporation.

Fourth. As corroborating the existence of this element of value in all successful corporate enterprises, reference may be made to the following facts:

1. Corporations are frequently bonded for an amount in excess of the value of physical properties less the proceeds of the stock issued.

If traffic, or good will, or franchises, or organization can be made security for the borrowing of money, is it not evident that they possess an established commercial value?

2. It is not uncommon for courts, in placing railway properties in the hands of receivers, to defend their action by the assertion that the step is necessary in order to prevent the disintegration of the property. Is it not a legitimate conclusion from this fact that the courts recognize organization as an element of value?

3. The universal recognition of the necessity of supplementing the general property tax by some special method of taxation in the case of railways is an acknowledgment of the fact that the general property tax by ordinary methods of assessment does not attach itself to the full value of corporate property. The general property tax [fol. 447] worked well when the major portion of property was material and visible; it failed to work well when through the development of corporate enterprises and credit relations, immaterial values came to be relatively significant.

Fifth. Inasmuch as nothing tangible or visible gives support to the value under consideration, it must be determined on the basis of information secured from the current accounts of the corporations. There are two accounts which may be used for this purpose, namely, the general balance sheet and the income account. In the balance sheet will be found a statement of assets and liabilities, giving cost of road and equipment on one side, and the par value of stocks and bonds on the other. For reasons that need not here be stated, these items are not satisfactory for the purpose which this commission has in view. It may be assumed that the appraised value of the physical property of railways (including the right of way) will not coincide with the balance sheet statement of the cost of road and equipment.

The practice adopted by many states of appraising railway property on the basis of the market value of stocks and bonds has something to be said in its favor, but it is not satisfactory. This point, however, need not be argued at the present time, because this commission, by instituting an appraisal of the physical assets of the corporations, has committed itself to a rule inconsistent with the valuation of corporate liabilities.

In discarding the balance sheet as the basis of valuation the commission is forced to accept for this purpose the income account, a conclusion which finds support in the established rules of corporation finance. The task of appraising railway properties undertaken by this commission is akin to, if not identical with, the revaluation of railway securities, should this become necessary for reorganization or for transfer. As stated by Mr. Greene, an authority upon this subject, the holder of railway properties "must accept as a basis for revaluation of his securities the earning power of the company as a carrier of traffic." This "earning power" is undoubtedly the basis of all valuation of corporate properties, and it is the income account from which this earning power can be determined.

Another reason for accepting the income account of railways as a basis for the appraisal of immaterial values is that the rules of banks

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(b) To use public property and employ public authority for corporate ends.

2. It includes the possession of traffic not exposed to competition, as, for example, local traffic.

3. It includes the possession of traffic held by established connections, although exposed to competition, as, for example, through traffic that is secured because the line in question is a link in a through route.

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5. It includes a value on account of the organization and vitality of the industries served by the corporation, as well as of the organization and vitality of the industry which renders the service this value, consequently, is, in part, of the nature of an unearned increment to the corporation.

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If traffic, or good will, or franchises, or organization can be made security for the borrowing of money, is it not evident that they possess an established commercial value?

2. It is not uncommon for courts, in placing railway properties in the hands of receivers, to defend their action by the assertion that the step is necessary in order to prevent the disintegration of the property. Is it not a legitimate conclusion from this fact that the courts recognize organization as an element of value?

3. The universal recognition of the necessity of supplementing the general property tax by some special method of taxation in the case of railways is an acknowledgment of the fact that the general property tax by ordinary methods of assessment does not attach itself to the full value of corporate property. The general property tax [fol. 447] worked well when the major portion of property was material and visible; it failed to work well when through the development of corporate enterprises and credit relations, immaterial values came to be relatively significant.

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Another reason for accepting the income account of railways as a basis for the appraisal of immaterial values is that the rules of book-

keeping, so far as this account is concerned, are fairly uniform for all railways. This is especially true so far as it is necessary to make use of the income account for the purpose of this commission. The degree of accuracy attained in this account may be suggested by reference to the official classification of operating expenses adopted and followed by the principal railways of this country, a copy of which is herewith submitted. I also submit in this connection the form of income account prescribed by the Interstate Commerce Commission and followed by the majority of state commissions.

Sixth. The rule submitted for the appraisal of the immaterial values of railway properties, or what I prefer to term the capitalization of corporate organization and business opportunity, is simple, as follows:

1. Begin with gross earnings from operation, deduct therefrom the aggregate of operating expenses, and the remainder may be [fol. 448] termed the "income from operation." To this should be added "income from corporate investments," giving a sum which may be termed "total income," and which represents the amount at the disposal of the corporation for the support of its capital and for the determination of its annual surplus.

2. Deduct from the above amount, that is to say, total income, as an annuity properly chargeable to capital, a certain per cent of the appraised value of the physical properties.

3. From this amount should be deducted taxes, *rents paid for the lease of property operated, provided such property is not covered by the physical valuation made the basis of the annuity referred to under paragraph 2, and permanent improvements charged directly to income. The remainder would represent the surplus which, capitalized at a certain rate of interest, gives the value of immaterial properties.

Seventh. To obviate the criticism that both gross and net earnings vary from year to year, it is suggested that, in place of a single year's income account, the average income account of a period of ten years be accepted as the basis of computation. The reason for accepting a period of ten years is that under existing commercial conditions it is likely that the corporation whose property is appraised would, during that period, pass through years of both prosperity and adversity.

Respectfully submitted, Henry C. Adams.

The nature of the rule presented above may be seen more clearly from the blank form next presented, being the form to which the accounts of each railroad were reduced preparatory to compilation.

*The Michigan system of railway accounts prescribed by the railroad commissioner includes taxes in "operating expenses" and for the purpose of this analysis such inclusion may be accepted.

Form of Compilation

Name of Road: —

Statement Showing Computation of the Value of the Non-physical Elements of the Above-Named Road, Whose Physical Elements Were on November 1, 1900, Officially Appraised at &—.

Average Statement for — Years Ending — —, —

Items	Items	Amounts for entire system	Per mile operated	Amounts appor- tioned to Michigan
Number of miles operated
Gross income from operation	\$....	\$.....	\$.....	\$.....
Operating expenses, exclusive of taxes
[fol. 449]				
Net income from operation
Net income from investments
Total available cor- porate income
Annuity deducted for capital at 4 per cent of the mean value of physical elements
Remainder available for other purposes
Further deductions:				
1. Taxes on physical elements at 1 per cent of mean value
2. Rentals on property not covered by ap- praisal
3. Interest on current liabilities
4. Permanent improve- ments charged to income
Total further deduc- tions
Surplus
Deficit

Form of Compilation. - Continued.

Items	Items	Amounts for entire system	Per mile operated	Amounts apportioned to Michigan
Capitalization of surplus at 7 per cent, which results in a value of non-physical elements such that it yields a net income of 6 per cent after payment of a tax of 1 per cent.				\$.....

Quite a number of queries suggest themselves, a consideration of which will help to explain somewhat in detail the theory according to which non-physical values are appraised.

First. It will be observed that the earnings made the basis of computation are the average earnings for a period of years. It was endeavored to make this period ten years, but in some cases the reorganization of a road, or some radical change in its industrial character, or the imperfection of its accounts has made it necessary to accept a shorter period. A moment's consideration makes evident the property of the substitution of an average income account for a period of years for the actual income account for any particular year. It is as true of railways as of any other industrial property that the commercial estimate of their value should not reflect the violent fluctuations in their gross or net earnings from year to year. Moreover, an efficient board of management will not permit its property to fluctuate in value with the casual fluctuations in earnings, because it will in times of prosperity accumulate as surplus against years of adversity, and by the use of this surplus satisfy the demands for dividends in order to influence the investors' estimate of the property. The rule here adopted conforms to the ordinary rule of appraising for business investments.

From the point of view of the public treasury also, is it possible to frame an argument in favor of accepting the average earnings for a term of years as the basis of computing intangible values. It is evident, as far as this class of values contributes to the general basis of taxation, that it will show marked fluctuations if adjusted each year to the annual earnings of the corporations. The expenditures of the state, however, are fairly uniform from year to year, and the basis of taxation, as also the rate of taxation should present likewise a fair degree of uniformity. It is highly desirable, whether one consider the matter from the point of view of the corporations paying the tax or of the state receiving the tax, that the appraisal of property made the basis of taxation should be as stable as possible, and this can be easily accomplished, so far as the non-physical valuation of railway corporations is concerned, by accepting the average earnings of a period as the basis of computation.

Second. The valuation of physical elements presented by Professor Cooley shows the condition of railway property as it stood on or about

November 1, 1900. It represents the mileage in operation and the equipment employed at that date. In case the history of a particular road during the ten years prior to 1900 shows either an increase or a decrease in mileage, the Cooley appraisal was subjected to an appropriate increase or decrease before computing the annuity to be deducted from average gross earnings for the support of physical capital. This explains why in many cases the annuity deducted does not correspond to 4 per cent of the physical value reported. In the appendix to this report will be found a statement for each road showing in detail the method of applying this rule.

Third. Any method of appraisal might be more or less arbitrary in its application. The arbitrary element in the method used in arriving at the figures contained in this report pertains to the percentage rates chosen: first, for computing the annuity assigned for the support of the physical capital; second, for computing the taxes to be paid by the corporations; and third, for capitalizing what remains of net earnings after the annuity, the taxes, and other legitimate payments incident to the operation of the property are deducted. By referring to the form inserted above it will be observed that the rate per cent selected for computing the annuity is 4 per cent; the rate selected for computing taxes is 4 per cent; while the rate selected for capitalizing the final surplus is 7 per cent. These rates are sufficiently important to warrant a somewhat extended consideration.

1. It must, in the first place, be recognized that the theory of the ad valorem taxation of corporate property implies that the state presents its claim directly to the corporation rather than to the individuals who as bondholders or stockholders are in fact joint proprietors in the property represented by the corporation. From this it follows that in arriving at a rate per cent which represents a reasonable return to investors it must be assumed that this return itself is free from further taxation, except, of course, it be made to contribute in the form of an income tax or by means of consumption taxes. This being the case, the question of the rate which should be allowed on property invested in the physical plant of railways presents itself as follows: What is a fair return upon an assured non-taxable investment? In view of the ruling rates for money at the present time, it is believed that 4 per cent, free from taxation, is fair and equitable. [fol. 451] This, at least, is the commercial judgment of the market, inasmuch as securities of this sort will sell at or above par. It may be remarked in passing that the form in which this report is submitted enables the substitution of any other rate for the one selected should the one quoted be regarded as unfair or unreasonable.

2. It will also be observed from the above form that in addition to an allowance of 4 per cent upon physical capital there is added an allowance of 1 per cent to cover taxes. The question immediately arises why this allowance is made and why the tax rate is placed at 1 per cent.

The answer to the first of these questions is found in the fact that the problem which the commission has undertaken to solve is to de-

termine whether this species of property has paid under the form of specific taxation which it has been subjected to, a rate equal to the rate paid by other property. To this end it is necessary that railway property be appraised upon the assumption that it supports the same incumbrances as other property. A farm, a dwelling house, or a factory is bought and sold under the incumbrance of an annual tax and the price of transfer is determined in view of this fact. Were the annual tax remitted, other things remaining the same, the value of these properties would be increased by an amount equal to the capitalization of the sum remitted. It is, therefore, necessary in order to bring the appraisal of railway property to the same basis as other property for the purpose of comparison, to reduce the value of railway property by the capitalization of the tax incumbrance. This explains why an allowance is made for taxes before arriving at the surplus to be capitalized.

But why place the tax rate at 1 per cent? A 1 per cent tax rate was accepted because it is the average rate paid on the par value of property in Michigan. This conclusion rests upon the assumption that the average rate of taxation is 1.546 and that the average assessment of property is 65 per cent of its par value. It is, of course, clear that 1.546 per cent of 65 per cent of par value is the same thing as 1 per cent of par value. If on further investigation, the percentages upon which this conclusion rests are found to be incorrect, the computation here submitted should be modified accordingly. The significant point is that the form of computation made the basis of this report results in a valuation of railway property free from the incumbrance of taxation. Or, to express this in another way, it brings the valuation of railway property to the same basis as other property. It is therefore, not necessary to reduce the valuation of railway property by 35 per cent on account of undervaluation of general property by local assessors, before making comparison. That adjustment has already been made by the allowance of a 1 per cent tax.

3. It is necessary to consider, next, the rate accepted for capitalizing the final surplus, which capitalization is the value of the non-physical elements of the railway corporation. By referring again to the form presented above, it will be seen that 7 per cent is selected for capitalization, which results in giving a value capable of paying 1 per cent to the state as tax, and 6 per cent clear return to the investor. The reason for allowing 1 per cent for taxes has been stated in the foregoing paragraph. The query which presents itself in this connection pertains to the acceptance of 6 per cent as a proper return upon the valuation of railway property which exists in an intangible form, while 4 per cent is acknowledged to be a proper return upon property which exists in physical form. The reason for this distinction is that the return upon the appraised value of [fol. 452] physical elements is not exposed to the same degree of risk to which the return upon the intangible or franchise valuation is exposed. This consideration brings into view one of the most profound questions of equity that arises in connection with the relation of railways to the Government. A full discussion of this point would manifestly be out of place, but from whatever point of view regarded,

it must be admitted that the trend of judicial opinion in this country is to the effect that neither the legislature nor a railroad commission can reduce railway charges below a point necessary to maintain a fair return upon an equitable valuation. And, while it is true that no Federal court, so far as I am aware, has identified this "fair valuation" with the cost of reproducing the property, thus by inference giving judicial warrant for the expungement of intangible corporate values, it is nevertheless true that these intangible values are exposed to the risk of being reduced by the legislative reduction of railway charges, a risk to which the tangible values of a railway as measured by the cost of reproduction, are not exposed, and to which, under the constitutional safeguards thrown about private property, they can not be exposed. Such, at least, is my explanation for capitalizing the final corporate surplus over and above 5 per cent upon the appraised value of physical elements at 6 per cent rather than at 4 per cent, this latter being the rate allowed upon the physical valuation of the property. Such a conclusion seems to me justified in view of the general fact that a questionable investment demands a higher net return than one which is sure and which runs in perpetuity.

The above defense of 7 per cent as the rate of capitalization rests upon principles which warrant a deviation from this rate. Some roads, as, for example, the Manistee and Northeastern Railroad, are capitalized at 10 per cent instead of 7 per cent, because of the uncertainty of the continuance of the traffic from which they now derive an income; while other roads, as, for example, the Fort Street Union Depot Company, are capitalized at 5 per cent (or 4 per cent if payment of tax is guaranteed) because the income, being a contractual income, is assured beyond all peradventure. These variations in the rate illustrate the statement made above, that the variable or arbitrary element in the method of computation adopted by this report is the rate selected for the capitalization.

Fourth. The chief difficulty encountered in appraising nonphysical elements of Michigan railways arose from the fact that many of these lines extend beyond the boundaries of the state. Manifestly, the most satisfactory method of arriving at the intangible value of such lines would be for contiguous states to unite in a general appraisal and to assign the aggregate valuation thus arrived at to the respective states. By this means the danger of an overestimate or of an underestimate of the aggregate of railway property would be avoided, and, since the question of the division of this aggregate is primarily a question which interests the states rather than the corporations, it is believed that a satisfactory rule could be devised. Such a method of procedure, however, was not possible in the present instance. The appraisal of physical valuation was limited to the lines within Michigan, and it was necessary to accept this appraisal for computing the value of the nonphysical elements. It will be observed by referring again to the above form that the form itself provides one column for the Michigan portion contained in the present computation. So far as gross earnings of the Michigan portion

of interstate lines are concerned the law already provides a rule by which they are to be computed. This rule requires, first, that the [fol. 453] earnings on freight originating in Michigan and delivered to a point within Michigan should be assigned to the state as Michigan earnings; it required, second, that earnings on freight coming from without the state to a point within the state, or freight passing through the state, or freight originating within the state carried to a point without the state, should be assigned to Michigan in proportion to the mileage of the haul within the state to that of the haul without the state. This method of procedure is familiar to the railways in the settlement of their interline accounts.

This rule, however, is open to serious objection. It frequently happens in an extensive railway system that freight carried on a branch line, computed at the same rate per ton per mile as freight carried on the main line, does not contribute any considerable surplus over the expenses of the maintenance and operation of the branch line. Under such conditions the legislative rule for the localization of gross earnings would fail to assign any intangible value to the branch line. But this can not be accepted as final proof that the branch line is devoid of intangible value. It is one of the elementary principles of railway economies that a branch line is desirable, not only as a contributor of earnings to the system of which it is a part, but as a contributor of freight to the main line of the system. The chief value of the branch line to a system is frequently found in the fact that it secured to the system a longer haul on the main line, where freight is dense and where, on account of the density of traffic, expenses per ton per mile are relatively reduced. It may be urged that the main line contributes to the traffic of the branch line in the same proportion as the branch line contributes to the traffic of the main line, but this is no answer to the claim that a mileage assignment of earnings fails to measure the advantage, and consequently the commercial worth, of the branch line to the system, because it fails to take account of the fact that the economical administration of a railway depends almost entirely upon the density of its assured traffic. This being the case, it would seem proper to impute to the branch line earnings in excess of those which are allowed by the existing rule. This can be the most easily done by assigning to the branch line what is known in railway economies as "constructive mileage," that is to say, by letting each mile on the branch line count in the distribution of earnings for more than its physical mileage. The question thus raised comes to be of considerable importance to Michigan in view of the location of certain of its lines both in the upper and lower peninsula.

It is therefore respectfully submitted that, should the plan of ad valorem taxation of railway property be substituted for the present plan of specific taxation, a new rule for computing the gross earnings of those portions of interstate railways which lie in Michigan should be substituted for the one now in force.

With regard to operating expenses, no legislative rule exists. None is needed under the scheme of specific taxation. Under a scheme of

ad valorem taxation, however, intangible values being included in the appraisal of railway property, it would be necessary for the legislature to lay down a rule for the localization of operating expenses. In the case of the present report the rule adopted was to assign operating expenses on the basis of train mileage. This rule is generally accepted as the most satisfactory of the simple rules for the localization of operating expenses. Possibly a better rule might be [fol. 454] devised. The matter is referred to in this connection to make clear what is necessarily involved in the ad valorem taxation of interstate property.

Fifth. Another point of theoretic interest, should the legislature decide to adopt the ad valorem system of taxing railways, pertains to the question of permanent improvements. It is evident if the amounts expended by railways for improvements be included in operating expenses, or if by any other means they be made a charge against current income, that the surplus which remains for capitalization will be thereby decreased and that the valuation of the non-physical elements will be correspondingly reduced. The rule for charging permanent improvements, therefore, comes to be a matter of considerable importance.

American railway accounting provides three ways of disposing of expenditures incurred in the betterment of property. These expenditures may be included in operating expenses; they may be charged directly against the net income; they may be charged against the capital account. The accounts of the railways of Michigan present no uniformity in the matter of permanent improvements. In general the railroads which come under the influence of the English principle of accounting, exclude expenditures for improvements from operating expenses. The Michigan Central Railway, on the other hand (and the practice of this company is followed by the majority of Michigan roads) charges every improvement possible to operating expenses, thus increasing the ratio of operating expenses to gross income and consequently decreasing the net income from operation. The Michigan Central ratio of operating expenses to gross earnings is 72.99 per cent; the corresponding ratio for the Chesapeake and Ohio is 60.76 per cent; for the Chicago, Burlington and Quincy it is 61.54 per cent; for the Chicago, Rock Island and Pacific it is 63.56 per cent. The statistics of Railways in the United States, as compiled by the Interstate Commerce Commission, are classified by ten territorial groups. The group in which the southern peninsula of Michigan lies is Group III while the group in which the railways of the northern peninsula lie is Group VI. The average ratio of operating expenses to gross income for the railways of the United States is 65.24 per cent; the corresponding per cent for Group III is 70.52; and for Group VI is 61.18 per cent. A careful study of this ratio of operating expenses to gross earnings of leading railways in different parts of the country shows that with the exception of the Grand Rapids and Indiana, and a few minor railways, the operating expenses of the railways which lie in the southern peninsula of Michigan are abnormally high as compared with their gross earnings.

This does not mean that their management disregards the economies of operation, or that, on account of their situation, they are exposed to unusual expenditures, it is explained, for some of the lines at least, by the fact already referred to, that they charge permanent improvements to operating expenses.

It is of course evident that the appraisal of intangible values submitted by this report is very decidedly influenced by the manner in which permanent improvements are charged. It must also be evident that should the legislature deem it wise to tax railways on the basis of valuation, a law making provision for such a scheme of taxation must prescribe a method for charging permanent improvements to be followed by all railways. For it is clear that diversity of practice in this regard will result in unequal taxation as between the rail- [fol. 455] ways, to say nothing of the reduction of the basis of taxation in the case of those railways which charge all improvements to operating expenses. In making this statement I would not be understood as criticising the practice of charging permanent improvements to operating expenses. There is much to be said from the public point of view, as well as from the point of view of sound corporate financing, in favor of the conservative application of this principle. My point is that it is essential to the equitable administration of the system of ad valorem taxation when applied to railway corporations, that all corporations should be obliged to follow a uniform rule of accounting in the matter of permanent improvements.

[fol. 456] Michigan Appraisal of Physical Property.

In order to show whether any duplications are produced in the application of the Michigan method of appraisal of non-physical elements to the situation presented in this proceeding involving the valuation made by the Interstate Commerce Commission, it will be necessary to consider the Michigan appraisal of the physical property of the railroad.

We here reproduce a description of the Michigan appraisal of physical property made at the same time as the appraisal of the non-physical property by Henry C. Adams. The statement is made by Prof. Mortimer E. Cooley who was in charge of the work for the State of Michigan.

By an act of the legislature of 1899 a section was added to the general tax law of Michigan requiring the board of state tax commissioners—

6. To inquire into and ascertain the value of the properties of corporations paying specific taxes under any of the laws of this state, and to ascertain the actual rate of taxation, as based upon the valuation of said properties, that is being paid by said corporations, and to this end said board shall require reports from and make investigations as to the properties of such corporations in the same manner and to the same extent as if said corporations were paying taxes under this act.

9. To further report to the legislature, at the beginning of the regular sessions, especially, the true valuation of the properties of

corporations paying specific taxes, and the rate of taxation actually paid on said valuation and the true valuation of all other properties of the state, and the rate of taxation the same are paying, to the end that the legislature shall have the information necessary to rearrange the rate of system of taxation on said properties, so that all taxable properties of the state may be taxed uniformly.

In pursuance of this act the board undertook the valuation of the properties of railroads, telegraphs, telephones, plank roads, river improvements, express and private car lines, beginning on the railroads September 1, 1900.

A careful consideration of the different methods of appraising corporate properties led to the selection of the plan of finding, first, the cost of reproduction, rebuilding, or reacquiring the several elements entering into and constituting the property as a whole, assuming the location and the conditions governing such cost as they exist today; and, second, to affect such of the elements as can wear and depreciate with use by percentage factors representing the present condition as found by actual inspection in the field, the value of new element being considered 100 per cent. The first of the values will be referred to as the "cost of reproduction" the second as the "present value," in both cases of the physical properties only.

[fol. 457] Viewed from the engineer's standpoint the advantage of this plan will be speedily recognized. Aside from the financiering, the building of a railroad is largely an engineer's problem. The natural and simple course was, therefore, to proceed in the same manner as if a new road were projected in the exact location of the present road and compute the cost of building and equipping this road to the extent already existing, everything being new, and then fix other values representing the actual or present condition of those elements subject to change with time. In other words, the first part of the work has been done in the same manner as would be required by the railroads themselves if projecting new work.

Another potent reason justifying the plan selected, as afterwards developed, was the necessity of treating the problem strictly as an engineering problem in order to obtain uniform results. It was necessary to employ a large number of engineers expert in railroad work, and while they could agree as engineers they could not agree as experts on taxation. It very soon became necessary to publish an order excluding all thought of taxation in connection with the results to be obtained. The commissioners required of us only the cost of reproduction and the present value of a road, reserving to themselves any adjustments of these values that might be thought necessary to secure uniformity of taxation.

The plan of organization of the work was as follows: Experienced men were selected to act as chief inspectors in charge of the more important divisions of the work. To these men fell the task of directing operations in the field and in the office. They were in constant touch with all men serving in their respective divisions. The railroad appraisal embraced the two divisions of civil and mechanical engineering.

Suitable blank forms having been prepared, a force of men was detailed to secure from the records on file in the engineer's offices all available data relating to surveys, right of way and station grounds, real estate, grading, tunnels, bridges, trestles, and culverts, rails, fencing, station buildings and fixtures, shops, roundhouses and turntables, water and fuel stations, grain elevators, warehouses, docks and wharves, and miscellaneous structures. This information, properly entered upon the blank forms, was put into the hands of experienced railroad engineers, who proceeded over the road by means of hand cars or on foot and made a personal inspection of all the separate items, adding to and perfecting the records as might be found necessary. At the same time the condition of the ties, rails, track fastenings, frogs, switches and crossings, ballast, track laying and surfacing, fencing crossings, cattle guards and signs, interlocking and signal apparatus was noted, a complete record of all observations being made in a field book provided for the purpose. The data obtained in the office and in the field correspond to that which would have been obtained by actual surveys.

After the field inspection, all data and information thus far obtained was turned into the computing office, where separate items were worked up and the costs of these items new and their present values obtained. To expedite the work and insure more uniform [fol. 458] results, a set of tables was compiled, showing unit prices for all the different elements. By this means it was possible, having carried the work to a certain point, to pick from the tables the prices needed, thus obtaining directly the cost of the different quantities. The utility of these tables cannot be too highly emphasized, and the work required in their preparation saved many weeks of time and made it possible to use less experienced men in the computing office.

The results obtained in the computing office were then sent to the compiling office, where they were carefully arranged under their respective headings, the final record being complete inventory of practically everything found belonging to the railroad. For convenience, and in order that the results might be more clearly understood, they were compiled in accordance with the "Classification of construction accounts" prescribed by the Interstate Commerce Commission. A few additional items were found necessary, making in all thirty-seven different accounts, as follows: 1. Engineering; 2. Right of way and station grounds; 3. Real Estate; 4. Grading; 5. Tunnels; 6. Bridges, trestles, and culverts; 7. Ties (cross and switch ties); 8. Rails; 9. Track fastenings; 10. Frogs, switches, and crossings; 11. Ballast; 12. Track laying and surfacing; 13. Fencing; 14. Crossings, cattle guards, and signs; 15. Interlocking and signal apparatus; 16. Telegraph; 17. Station buildings and fixtures; 18. Shops, roundhouses, and turntables; 19. Shop machinery and tools; 20. Water stations; 21. Fuel stations; 22. Grain elevators; 23. Warehouses; 24. Docks and wharves; 25. Miscellaneous structures; 26. Locomotives; 27. Passenger equipment; 28. Freight equipment; 29. Miscellaneous equipment; 30. Telephones; 31. Ferries and steamships; 32. Electric plants; 33. Terminals; 34. Legal expenses; 35. Interest; 36. Miscellaneous expenses; 37. Stores and supplies.

Under the head of mechanical engineering a careful inventory and inspection was made of all shop machinery and tools, locomotives, passenger, freight, and miscellaneous equipment, and of stores and supplies. This work was very thoroughly done and included the inspection of practically every locomotive and passenger car belonging to Michigan roads. About 33,000 freight cars were inspected, and of these nearly 15,000 belonged to Michigan roads, the others being foreign cars and private-line cars. An important question arose in the division of rolling stock belonging to interstate roads. Should it be divided in proportion to the main track mileage, the total track mileage, the car mileage, or the gross earnings? A careful consideration of the several plans led finally to the selection of car mileage as the most suitable basis for the division of passenger and freight equipment and of locomotive mileage for the locomotive department. Where it was impossible to obtain the car or locomotive mileage data, main track mileage was used as the basis for division. In those cases where a single arm or division of a large system projected into the state, the problem was confined to this arm or division.

The telegraph and telephone lines belonging to the railroads also proved to be a difficult problem, as it was necessary to separate the lines used exclusively by the railroads from those belonging to the telegraph companies, and to still further separate those owned jointly. Every mile of telegraph was inspected, and the condition of the poles, wires and instruments determined by frequent examination.

[fol. 459] Perhaps no part of the work involved so much discussion as the matter of right of way, station grounds, and real estate. It is well known that a railroad right of way costs considerably more than the value of the land for other purposes. The question at issue was whether the railroad should be charged for what the right of way actually cost or for what it was worth for other purposes before it was purchased. There could be no question, it would seem, that the first cost or cost of reproduction should include the actual price paid for the right of way. Certainly this is one of the elements for which money must be raised, the same as engineering, legal expenses, interest and discount, and miscellaneous expenses, including the expenses of organization and contingencies. Theoretically, at least, the cost or reproduction may be considered to represent the value of a legitimate bond issue, and to such extent the value of a railroad.

The question whether the increased cost of right of way over and above the value as determined by contiguous property may properly be included in the present value of a railroad, is a matter about which there may be difference of opinion. The true cash value of a thing has been defined as the price upon which a purchaser and a seller mutually agree, and at which an actual transfer takes place. If an attempt were made to purchase an existing right of way, as, for example, an entrance into a city, if the owner were willing to sell at all he surely would take into consideration what it would cost the

purchaser to get into the city by any other route, and the prospective purchaser would surely consider what it would cost him by another route.

The conclusion finally reached was to add to the value of the right of way, as determined by contiguous property, an amount fairly representing the additional actual cost to the railroad. A very careful examination was made of the records on file at county seats and elsewhere, showing the transfer of a large number of pieces of property, both to railroads and to other purchasers. As a result of this examination throughout the state, it was found that the actual price paid by the railroad was from 100 to 125 per cent in excess of the value as determined by adjacent property.

Special inspectors, experts in land values, were assigned to the task of determining the value of the lands through which the railroads run, and for this work the commissioners are greatly indebted to a large number of citizens who very courteously entered upon the task of filling out the blanks requesting information as to the value of properties in their respective localities. The reports from these gentlemen were so complete as to leave no doubt as to the thoroughness of their investigation. Having in this way determined the value of the different kinds of land, it becomes necessary to determine the amounts of each kind belonging to the several roads. In this much assistance was received from the local engineers, who, on account of their familiarity with their runs, were able to give, with considerable accuracy, the extent of the lands of different grades on their respective lines.

In order that there might be no question as to the suitability of the methods employed, a board of review was appointed, consisting of Mr. Octave Chanute and Maj. G. W. Vaughn, of Chicago; Mr. Charles Hansel, of New York; and Prof. Charles E. Greene, of Ann Arbor. All of these gentlemen are members of the American Society of Civil Engineers, Mr. Chanute being a past president of the Society. With years of experience to ripen their judgment and with minds free from all details, they were asked to consider the different questions arising in the work about which there might be doubt, and to formulate rules for procedure in those cases admitting of a variety of opinions, as, for example, the division of rolling stock on interstate roads, the value of a right of way, the percentages to be added for the items of engineering, legal expenses, interest and discount, organizations and contingencies, and many others.

The actual work of field inspection of railroads was begun about September 15 and finished December 15. Complete results were obtained for all the roads in Michigan and submitted to the board of state tax commissioners the last of January, 1901. These results were completely rechecked and very elaborately compiled in several large volumes, the final work being completed May 1. It is proper to add in this connection that the cordial assistance of the railroads themselves aided greatly in expediting the work.

The following summary shows the results obtained for all the incorporated railroads of Michigan:

Mileage

Main track	7,082.355
Second track	164.833
Branches	730.992
Spurs and sidings	2,904.70

	Value of physical properties		
	Cost of reproduction	Present value	Per cent of new
1. Engineering, 4 per cent, items 2 to 25, inclusive, and 33	85,386,772	85,386,772	100.0
2. Right of way and station grounds	27,745,313	27,745,313	100.0
3. Real estate	863,337	863,337	100.0
4. Grading	21,639,995	21,639,924	100.0
5. Tunnels	1,148,070	1,093,445	95.4
6. Bridges, trestles, and culverts	8,927,119	6,337,819	70.8
7. Ties (cross and switch ties)	11,139,024	6,148,748	55.2
8. Rails	28,703,012	21,865,994	76.1
9. Track fastenings	3,845,030	2,987,982	77.8
10. Frog, switches and crossings	1,469,781	1,040,120	71.0
11. Ballast	3,723,648	3,723,558	100.0
12. Track laying and surfacing	6,555,638	6,400,972	97.5
13. Fencing	2,763,595	1,627,790	58.8
14. Crossings, cattle guards, and signs	607,542	428,474	70.4
15. Interlocking and signal apparatus	501,833	448,686	89.5
16. Telegraphy (30) telephones	258,985	134,797	52.0
17. Station buildings and fixtures	4,108,736	3,111,103	75.8
18. Shops, roundhouses, and turntables	2,157,228	1,467,969	68.2
19. Shop, machinery and tools	1,107,910	882,634	79.7

Summary of All Railroads.—Continued.

Value of physical properties			
	Cost of reproduction	Present value	Per cent of new
[fol. 461] 20. Water stations	72,070	522,135	72.0
21. Fuel stations	303,289	201,461	66.2
22. Grain elevators	1,336,791	1,009,043	75.0
23. Warehouses	258,646	183,910	71.3
24. Docks and wharves	5,631,919	3,831,934	69.4
25. Miscellaneous Structures	1,234,345	856,253	69.4
26. Locomotives	9,021,517	5,092,053	56.4
27. Passenger Equipment	3,197,473	2,277,271	71.2
28. Freight Equipment	19,734,246	13,690,587	69.4
29. Miscellaneous Equipment	702,940	423,689	60.3
31. Ferries and steamships	1,725,300	1,095,500	63.5
32. Electric Plants	33,061	89,898	96.8
33. Terminals	0	0	.....
34. Legal expenses, 0.5 per cent, items 2 to 23, inclusive and 33	673,349	673,349	100.0
35. Interest 3 per cent, items 1 to 34, inclusive	5,290,549	5,290,549	100.0
36. Miscellaneous expenses:			
Organization, 1.5 per cent	2,615,277	2,615,277	100.0
Contingencies, 10 per cent	18,428,759	15,127,110	82.3
Total cost of construction and equipment	202,716,262	166,398,156	81.4
Value of non-physical properties		35,814,043	.....
Total value of physical and non-physical properties		202,212,199	.....
37. Stores and supplies	1,474,829	1,474,829	82.2

[fol. 462] *Summary as to the Chicago Great Western Railroad Company*

[fol. 463] EXHIBIT "F" TO THORNE'S AFFIDAVIT

Chicago Great Western Railroad Company

Total Value as Evidenced by Value of Physical Property According to the Investment in Road and Equipment

The value of the physical property of the C. G. W. R. R. Co. in Iowa in 1921, using the investment in road and equipment as reported by the Chicago, Great Western R. R. Co. to the Executive Council for the State of Iowa, and apportioning the same to the State of Iowa on the basis of miles of line operated, miles of track operated, transportation train miles, and transportation car miles. (See Exhibit B) \$67,854,687

[fol. 464] EXHIBIT "G" TO THORNE'S AFFIDAVIT

Chicago Great Western Railroad Company

Total Value as Evidenced by Value of Physical Properties According to the Tentative Appraisal by the Interstate Commerce Commission in Ex Parte 74.

In Ex Parte 74, a formal case before the Interstate Commerce Commission tried in the year 1920, the Chicago Great Western Railroad Company, through duly authorized witnesses claimed a total value of their property amounting to \$134,729,042

The Interstate Commerce Commission reduced the value claimed by the railroad (9.64%).

The value of the property of the C. G. W. R. R. was found by the Commission in this case to be \$121,740,163. Apportioning this total in accordance with miles of line operated, miles of all track, transportation train miles and transportation car miles, the value of the physical property in Iowa of the C. G. W. R. R. Co. is \$61,798,350

(See Exhibit "C.")

[fol. 465]

EXHIBIT II TO THORNE'S AFFIDAVIT

Chicago Great Western Railroad Company

Total Value as Evidenced by Value of Physical Property According to the Appraisal of the Bureau of Valuation of the Interstate Commerce Commission under the Valuation Act

Franchise and other intangible values appraised in the same proportion as claimed by the Chicago Rock Island & Pacific Railway Company.

Value of Physical property in Iowa using the findings of the Bureau of Valuation of the Interstate Commerce Commission acting under the Valuation Act, and bringing the said findings down to date, but allowing for increases in property and accrued depreciation as reported to the Interstate Commerce Commission and to the Executive Council for the State of Iowa, (See Exhibit D)..... \$39,326,369

Value of organized business, etc. The Chicago, Great Western R. R. Co. has filed no protest as yet with the Interstate Commerce Commission concerning its appraisal. The earnings of the Chicago, Great Western R. R. Co. are so low that the application of the Michigan Method will not show the existence of any intangible values; and yet it is true that the Chicago, Great Western has a franchise to operate, it has the right of eminent domain not possessed by the ordinary citizen, it has the right of consolidation, being exempt from the Sherman Anti-Trust Law under the approval of the Interstate Commerce Commission (Interstate Commerce Act, Sec. 5, \pm 8, 9), and it is protected against construction of competitive lines without the approval of the Interstate Commerce Commission. These franchise rights have some value. The C. R. I. & P. Ry. Co. claimed a value of its organized business, development cost, [fol. 466] etc., of \$30,000,000 which is approximately 9% of the total physical property as appraised by the Interstate Commerce Commission, in Valuation Docket 152. In this \$30,000,000 we have not included any allowance for additional materials and supplies or interest and taxes on land during the construction period because we have no evidence that such items have been omitted in the C. G. W. R. R. Co. appraisal by the Interstate Commerce Commission. Applying the 9% to the physical value of the C. G. W. R. R. Co. as found by the Bureau of Valuation of the Interstate Commerce Commission we have..... \$3,539,373

Total value of C. G. W. R. R. in the State of Iowa for taxation purposes..... 42,865,742

[fol. 467]

EVIDENCE: EXHIBIT R

(Copy)

STATE OF IOWA,

Polk County, ss:

I, C. B. Ellis, under oath depose and state:

That I am Statistician for the Board of Railroad Commissioners of the State of Iowa, and that the attached table shows the values of the property of the Chicago Great Western Railroad Company in Iowa, determined by applying to the total revenues for the State of Iowa the average operating ratio of all lines reporting to the Iowa Railroad Commission for the period from 1910 to 1921, inclusive, and also applying to said total operating revenues the average operating ratio of all lines reporting to the Iowa Railroad Commission for the years 1917 to 1921, inclusive, and by capitalizing each of the net operating revenues so obtained at 5%, 5½% and 6%.

C. B. Ellis,

Subscribed and sworn to before me by the said C. B. Ellis this 23rd day of October, 1922. Winogene Hobbs, Notary Public in and for Polk County, Iowa.

[fol. 468] Chicago Great Western Railroad Company

Value of Property for Taxation Purposes in Iowa

Determined on Basis of Average Operating Ratios for All Carriers in Iowa Over a Period of Years Applied to Total Revenues and Net Revenue Capitalized

Total Operating Revenue for year 1921—(Authority—Additional Annual Report to Executive Council)	\$12,425,055.93
Average Operating Ratio for All Carriers Reporting to Railroad Commissioners of Iowa for the years 1910 to 1921 inclusive (13 years)—(Authority—Annual Reports to Iowa Commission)	71.9%
Average Operating Ratio for All Carriers Reporting to Railroad Commissioners of Iowa for the years 1917 to 1921 inclusive (5 years)—(Authority—Annual Reports to Iowa Commission)	80.45%
Net Revenue for 1921 after applying average operating ratio for 13 years (71.9%)	3,491,450.72
Net Revenue for 1921 after applying average operating ratio for 5 years (80.45%)	2,429,098.44
Final Value for taxation purposes obtained by capitalizing at 5% the net revenue obtained by applying to the total revenues the operating ratio of 71.9%	69,829,014.50

Value of Property for Taxation Purposes in Iowa.—Continued.

Final Value for taxation purposes obtained by capitalizing at 6% the net revenue obtained by applying to the total revenues the operating ratio of 71.9%	58,190,845.33
Final Value for taxation purposes obtained by capitalizing at 5% the net revenue obtained by applying to the total revenues the operating ratio of 80.45%	48,581.96
Final Value for taxation purposes obtained by capitalizing at 5½% the net revenue obtained by applying to the total revenues the operating ratio of 71.9%	64,009,229.91
[fol. 469] Final Value for taxation purposes obtained by capitalizing at 5½% the net revenues obtained by applying to the total revenues the operating ratio of 80.45%	47,593,171.40
Final Value for taxation purposes obtained by capitalizing at 6% the net revenues obtained by applying to the total revenues the operating ratio of 80.45%	40,484,974.00

[fol. 470]

EVIDENCE: EXHIBIT 8

(Copy)

STATE OF IOWA,

Polk County, ss:

I, E. Mae Sweeney, being first duly sworn upon my oath depose and say: that I am the second Assistant Secretary of the Executive Council of the State of Iowa; that as such, I was present at the time of the hearing in connection with the assessment of railroad property in 1922, including the assessment of the Chicago, Rock Island & Pacific Railway Company and the Chicago, Great Western Railroad Company; that I know that among other things which the Council had before it in connection with the assessment of said railroad properties they had complete statistical reviews and data relative to the market values of stocks and bonds; the par value of stocks and bonds; gross and net income of the several railroads; the annual reports and additional annual reports of each of the several carriers, including the two carriers in question; also the report for all preceding years of each of said carriers, including said two particular carriers; also the complete assessed value of all classes of property for preceding year; also the reports of said railroad companies, including the two companies in question, the Railroad Commission of the State of Iowa for the year 1921 and preceding years; also exhibit No. 1, pages 7 to 12, in Ex Parte 74 before the Interstate Commerce Commission of the United States; also the reports of the Railroad Commission of the State of Iowa; the reports of the Executive Council of the State of Iowa; the reports of the Auditor of State of the State of Iowa; also the tentative finding of value by the Interstate Commerce Commission on file with the Governor

[fol. 473]

EVIDENCE: EXHIBIT V-1

From Exhibits V-1 to 8, Incl.

Extracts from Tables of Statistics in Annual Reports of Board of Railroad Commissioners Pertaining to Chicago, Great Western Railroad Company

				For entire system			For State of Iowa		
				Operating revenues	Operating expenses	Net operating revenue	Operating revenue	Operating expenses	Net operating revenue
	1914	Year ending June 30th		14,260,521.69	10,831,167.89	3,429,353.80	7,241,237.06	5,649,537.17	1,591,699.89
	1915	" "	"	13,920,684.71	10,446,566.67	3,474,118.04	7,112,950.71	5,585,779.20	1,537,171.51
	1916	" "	"	15,067,344.63	10,716,497.80	4,350,846.83	7,690,042.21	5,741,899.52	1,948,142.69
	1916	"	Dec. 31st	16,131,691.93	11,249,655.55	4,882,026.38	8,309,696.66	5,982,572.14	2,327,124.52
	1917	" "	"	16,368,323.03	12,492,411.93	3,875,911.10	8,443,506.22	6,559,704.80	1,783,801.42
(Federal report)	1918	" "	"	19,116,924.85	17,783,097.51	1,333,827.34	9,787,791.90	9,423,267.37	364,528.53
"	1919	" "	"	22,128,189.11	19,305,163.09	2,823,026.02	11,269,598.35	10,152,585.26	1,117,013.09
	1920	" "	"	24,032,434.66	26,436,091.54	*2,403,656.88	12,383,314.76	13,878,948.06	*1,495,633.30
(Corporate report)	1918				35,380.61	*35,380.61			
"	1919				84,372.07	*84,372.07			

[*Red in copy.]

EVIDENCE: EXHIBIT V-2

From Exhibits V-1 to V-8

Report for year		1		2	3	4	5	8
		Total par value of capital stock actually outstanding at close of year		Mortgage bonds, par value actually outstanding at close of year	Total par value equip- ment obliga- tions actually outstanding at close of year	Miscellaneous obligations, total par value actually out- ing at close of year	Collateral trust bonds and total par value actually outstanding at close of year	
		Common	Preferred					
1914	Chicago Great Western	45,246,913.00	43,899,402.00	see column 7	.....	.....	.....	8
(1913)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	" " 7	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	" " 7	.....	.....	.....
1915	Chicago Great Western	45,246,913.00	43,902,902.00	see column 6	.....	.....	.....	2
(1914)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	see column 6	.....	.....	.....	1
	Wisconsin, Minnesota & P.	5,893,400.00	.....	see column 6	.....	.....	.....
1916	Chicago Great Western	45,210,513.00	43,867,902.00	25,883,000.00	.....	.....	.....	84
(1915)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
1917	Chicago Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
(1916)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
1918	Chicago Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
(1917)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
1919	Chicago Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
(1918)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
1920	Chicago Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
(1919)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
1921	Chicago Great Western	45,210,513.00	43,926,602.00	25,894,000.00	651,000.00	2,445,373.00	.....
(1920)	Mason City & Ft. Dodge	.....	.....	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	.....	.....	6,232,000.00	.....	.....	.....

EVIDENCE: EXHIBIT V-2

From Exhibits V-1 to V-8

	1		2	3	4	5	6	7
	Total par value of capital stock actually outstanding at close of year		Mortgage bonds, par value actually outstanding at close of year	Total par value equip- ment obliga- tions actually outstanding at close of year	Miscellaneous obligations, total par value actually out- ing at close of year	Collateral trust bonds and total par value actually outstanding at close of year	Other than equipment obligations actually outstanding at close of year	Funded debt, total par value not held by respondent
	Common	Preferred						
Great Western	45,246,913.00	43,899,402.00	see column 7	.....	.....	.....	see column 7	25,877,000.00
y & Ft. Dodge	19,205,400.00	13,635,752.00	" " 7	.....	.....	.....	" " 7	12,000,000.00
, Minnesota & P.	5,893,400.00	.....	" " 7	.....	.....	.....	" " 7	6,232,000.00
Great Western	45,246,913.00	43,902,902.00	see column 6	.....	.....	.....	25,881,000.00	see columns 2,
y & Ft. Dodge	19,205,400.00	13,635,752.00	see column 6	.....	.....	.....	12,000,000.00	3, 4, & 5
, Minnesota & P.	5,893,400.00	.....	see column 6	.....	.....	.....	6,232,000.00	
Great Western	45,210,513.00	43,867,902.00	25,883,000.00	.....	.....	.....	see columns 2,	
y & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....	4, & 5	
, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
y & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
y & Ft. Dodge	19,205,400.00	16,635,752.00	12,000,000.00	.....	.....	.....
, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
y & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
y & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
Great Western	45,210,513.00	43,926,602.00	25,894,000.00	651,000.00	2,445,373.00	.....	
y & Ft. Dodge			12,000,000.00	.....	.....	.....
, Minnesota & P.			6,232,000.00	.....	.....	.....

of Iowa; also copy of letter of L. C. Fritch, Vice President of the Chicago, Rock Island & Pacific Railway Company, to the Board of Railroad Commissioners of Iowa, with reference to the value of Chicago, Rock Island & Pacific Railway property in Iowa; also other matters and things which I do not at this time recall.

E. Mae Sweany.

Subscribed and sworn to before me by E. Mae Sweany, this 23rd day of October, A. D. 1922. Winogene Hobbs, Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 471] EVIDENCE: EXHIBIT T—Filed Oct. 24, 1922

Copy

Before the Interstate Commerce Commission

Ex Parte 74

EXHIBIT NUMBER 1—Pages 1 to 12

Submitted in Behalf of the Railroads in Western District May, 1920

Including 11 Pages of Statements Submitted in Connection with
Testimony on Rebuttal by L. E. Wettling July 1, 1920

[fol. 472] EXHIBIT No. 1, Page 9

Western District

Property Investment—185 Roads or Systems

Western District

Average Miles Operated, 138,243.74

	Chicago, Rk. Island & Pac. Lines	Chicago Great Western
Miles Owned October 31, 1919,	7,689.27	1,411.69
Property Investment Accts. 701-702		
Dec. 31, 1917	\$362,772.238	\$131,482,952
Additions & Betterments Jan. 1, 1918, to Oct. 31, 1919,	10,026,499	1,315,557
Cost Government Allocated Equip- ment	7,042,670	716,145
Material & Supplies Oct. 31, 1919, . .	12,585,355	2,490,343
Total Property Investment,	392,426,762	136,004,997

(Here follow Exhibits V-1 and V-2, marked side folio pages 473 and 474.)

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity

[Title omitted]

*Affidavit of E. G. Nourse Concerning the Earnings from Farm Lands
in the State of Iowa*

STATE OF IOWA,

Story County, ss:

I, E. G. Nourse, under oath depose and state:

1. That I am a resident of Ames, Iowa; that I am Chief of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station, and that in such capacity I have conducted investigations into farm accounting and cost of production in the State of Iowa, and have directed the accumulation and compilation of operating data on all of the elements entering into the operation of Iowa farms, and that I have concentrated the greater portion of my time on such matters in the State of Iowa and elsewhere.

2. That affiant has in his office detailed financial statements which show the results of the farm business as a whole upon each of the farms under observation and supervision; that such financial statements show the source and amount of the direct farm income in the form of cash receipts, in withdrawals for household and personal use and in inventory increases; the actual farm expenses in the nature of direct cash outlay, depreciation of physical capital and contributions to the business from the farmer's household, such as board for hired men; and that such financial statements and reports show the net income and net losses to the business as a whole. That there has been determined under my direction the prevailing scale of wages for farm labor, and that such scale has been applied to the hours consumed in farm work, and that the department has computed and entered in its books of account the amount chargeable against each farm under its supervision for labor.

3. That the crop and live stock produce used in the household is credited to the business at a conservative rate, based on their market value at the time of use; that the uses of horses and machinery in gardening and in purely personal uses are credited to the business at the same rate at which they are charged against the farm enterprises, namely, at cost; that there is an item known as "crops in process", which covers the value of work and other expenditures put upon preparation for the next season's crops. Such item is credited as in-

crease in inventory in the same way as live stock produced during the year, but not yet marketed, is credited. That in the expense item the automobile, if any owned by the farmer is considered a personal, rather than a business, expense, but that it renders the farm business considerable service and the business is, therefore, charged with this service at cost. That the allowance for interest on capital not borrowed is determined by taking the total investment in the business and deducting therefrom the amount of borrowed funds, which gives the farmer's net investment on the portion of this representative investment in equipment, live stock and supplies. Interest is allowed at the prevailing bank rate on short time loans, 8%. The weight of evidence seems to be that good Iowa farm lands are valued over a period of years on a basis which permits of their returning only about [fol. 477] 3% to 3½% to the investor. Therefore the investment in real estate is given an interest allowance at 3½%. In appraising the value of land for inventory purposes, this department exercised great care so as not to include the artificial inflation due to the war and post war boom.

4. That from all of these reports and records on file with this department, affiant believes that farm lands on the average throughout the state of Iowa were operated during the years 1920 and 1921 at a material loss, and that the farms under the supervision and surveillance of this department were more than average farms and were operated by more than average farmers, and that such financial losses in farm operations during those years was due to the high cost of production, due to high freight rates and high cost of farm operating materials and equipment and to the low return in prices on farm products and commodities. It is the belief of this affiant that the cost of producing farm products and commodities during 1920 and 1921 greatly exceeded the market return on such products and commodities. That in order to show the exact condition of farm operations in the state of Iowa, this affiant has had prepared under his direction this series of exhibits in such manner as to show the general financial statements of the farms supervised and included in the records of this office. Such exhibits are divided into three parts—the cash rented farms—the share rented farms—and the owner operated farms.

5. The following is a brief outline of the above described exhibits:

EXHIBIT "A"

Exhibit "A" is a general financial statement of the cash rented farms operated under the surveillance of this department during the year 1921. For each farm operated the exhibit shows the assigned number, the total number of acres farmed, the total income, the total [fol. 478] expense, the net receipts, the allowance for labor, interest on investment and the deficit accruing to each of said farms. The totals are shown for all of the six farms under each respective heading. Exhibit "A" shows an operating loss per acre on cash rented farm of \$8.94. Besides this operating loss there would be to the

owner of the land certain holding charges such as depreciation of buildings, insurance, repairs and cost of grass seed, which average \$2.15 per acre on 63 cash rented farms studied by the Iowa Experiment Station. This leaves a loss of \$3.09 as compared with return of \$5.00 from \$125.00 invested in 4% bonds.

EXHIBIT "B"

Exhibit "B" is a compiled general financial statement of the share rented farms operated under the surveillance of this department during the year 1921. It shows the same items as does Exhibit "A" and an operating return per acre of \$2.47. However, the owner of such land would have carrying charges for repairs, depreciation, insurance, grass seed, etc., amounting to \$2.30 per acre as found on 21 share rented farms in this vicinity studied by the Iowa Experiment Station. This would leave only 17c per acre net return out of which to pay taxes, and may be compared with the tax-exempt return of \$5.00 from each \$125.00 invested in 4% bonds.

EXHIBIT "C"

Exhibit "C" is a general financial statement of the owner operated farms supervised by this department during the year 1921, and shows the items for each farm as in Exhibits "A" and "B". The average operating return per acre as disclosed by this exhibit is \$1.56, out of which to pay taxes and interest on investment. The exhibit also shows the computation of what the aggregate of the farms would earn were the capital invested, allowing \$125.00 to the acre, invested in [fol. 479] tax exempt securities yielding 4%, which figure per acre amounts to a return of \$5.00. Including actual interest on mortgages and only 3½% on their own equity, these owners had a deficit of \$9.20 per acre. If this is added to the net return per acre, if the money was invested in tax exempt securities yielding 4%, which amounts to \$5.00, the average farmer has lost on every \$125.00 invested in farm lands the sum of \$14.20.

EXHIBIT "D"

Exhibit "D" shows a financial statement of an aggregate of eighteen better than average Iowa farms operated during the year 1921. These particular eighteen farms were selected because the book accounts kept by the farmers were the most complete and systematic and show business ability so far as the book work is concerned. These eighteen farms comprise 4,160 acres assessed by the assessor at an average actual value per acre of \$94.48, which indicates that these farms are better than the average Iowa farms; the average assessed value being \$76.00 per acre as determined by the Executive Council for the year 1921. It is shown by this exhibit that the net income per acre, not allowing for taxes nor interest returned on the investment in the land, is \$1.11. This net return is 1.173 per cent of the actual value as determined by the assessor. Placing the value

of \$125.00 per acre on the aggregate acreage of these farms, we have a total value of \$520,000.00. The net return, not including allowance for taxes or interest returned on land investment, is .887 per cent of such total value. If this land capital of \$520,000.00 were invested in tax exempt securities yielding 4%, it would yield an income of \$20,800.00, thus making a yield per acre of \$5.00. So that these figures may be checked from the original records on file in my office, I have indicated in the exhibit the numbers of the respective farms whose financial statements are compiled in Exhibit "D."

[fol. 480]

EXHIBIT "E"

Exhibit "E" is a general aggregate compilation of the financial statements of twenty-three better than average Iowa farms operated during the year 1920. This exhibit shows a total acreage for the twenty-three farms of 5,073 $\frac{1}{2}$ acres. The net income during 1921 from these twenty-three farms, not allowing for taxes nor interest returned on land invested, is \$7,005.68, showing a net income per acre on this basis of \$1.38. This land was assessed on the average of \$88.50 per acre. On that assessed value the return is .114 per cent. Placing a value of \$125.00 per acre on these lands, we have a total investment in land of \$634,187.50. The net return for the year 1921, not including taxes nor interest returned from the land investment, is .110 per cent. If this aggregate value were invested in tax exempt securities yielding 4%, it would bring a return of \$25,367.10.

[fol. 481] Wherefore: Affiant states that farm lands in Iowa during the years 1920 and 1921 were operated at a considerable loss to the operators, and that such a conclusion is reached by reason of a close analysis and study of farm accounting and cost of production in Iowa during those years and from the reports and surveys and records of farm operations on file with this department.

E. G. Nourse, Chief Agricultural Economics and Farm Management Section of the Iowa Agricultural Experiment Station.

Subscribed and sworn to before me by E. G. Nourse this 21st day of October, 1922. A. J. Martin, Notary Public.

[Vol. 482]

EXHIBIT "A" TO NOURSE'S AFFIDAVIT

Iowa Farms

General Financial Statement—Cash Rented Farms

Farm No.	Acres No.	Income	Expense	Net receipts	Labor allowance	Interest allowed	Deficit of surplus
No. 25.....	27.0	\$6,550.83	\$5,143.33	\$1,427.50	\$1,000.00	\$574.99	\$114.49
No. 30.....	129	3,900.70	3,125.52	775.18	780.00	295.33	967.17
No. 21.....	169	3,458.08	3,484.05	274.03	950.00	309.57	955.54
No. 11.....	169	3,092.43	4,124.73	732.30	795.00	360.47	187.17
No. 10.....	240	5,333.54	5,740.58	107.04	1,080.00	712.65	2,199.72
No. 13.....	220	9,484.75	9,905.79	424.03	1,010.00	1,574.73	2,155.75
Total.....	1289	\$32,057.34	\$31,824.00	\$233.34	\$5,655.00	\$3,023.17	\$9,024.43
Less cash rent paid.....							7,819.00
Net operating loss.....							\$1,205.43
Operating Loss per acre.....							\$91
Value of 1,289 acres at \$125 per acre.....							\$161,124.00
Income if invested in tax exempt securities yielding 4%.....							\$6,445.00

NOTE.—The data here given were compiled and secured under the supervision of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa. The figures are the result of careful records kept by the farmers, aided by a trained field man, instead of being derived from the estimates made by the farmers at the end of the year, as in the survey method. The method here used is

known as the Route Method. Each co-operating farmer is given a book of original entry in which he records all his cash transactions, the hours of labor, the amount of horse and machinery used on each of the various crops and live stock enterprises, as well as the amount of feed going to the different classes of live stock; and — each, with the aid of the field man, is entered a detailed inventory of the farm property with the rates and amounts of depreciation of the various buildings, implements and farm animals. The Field man visits each of these co-operating farmers frequently to advise them in their record-keeping and to check their entries, so that all the figures shall be as accurate as possible. At the close of the year the farmers' books are collected by the field man, and their original entries are posted into a set of ledger accounts, from which the financial statement, the losses or gains on specific enterprises, and the cost figures, as given in this report, are derived.

Authority: Records and Books of Account on file in the office of the Chief of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa.

[fol. 483]

EXHIBIT "B" TO NOTICE'S AFFIDAVIT

Iowa Farms

General Financial Statement—Share Rented Farms

Farm No.	Acres No.	Income	Expense	Net receipts	cash allowance	Interest allowed	Deficit or surplus
No. 17.....	280	\$8,426.20	\$6,292.11	\$2,134.09	\$720.00	\$511.69	\$602.40
No. 12.....	170	2,707.21	1,305.21	1,402.00	657.20	71.08	643.72
No. 34.....	160	3,198.51	2,398.05	800.46	518.73	217.70	34.03
No. 26.....	217½	3,758.94	2,917.73	841.21	720.00	239.25	118.04
No. 20.....	240	6,898.20	6,273.81	624.39	865.00	467.39	708.00
No. 31.....	400	5,727.71	6,948.20	1,220.46	1,090.00	361.93	2,672.39
No. 36.....	245	6,246.55	9,233.07	2,986.52	936.00	399.70	4,332.92
Total	1,720½	\$36,963.35	\$35,368.18	\$1,595.17	\$5,560.93	\$2,268.74	\$6,240.50
Value of landlords' share.....							10,496.59

Net operating return	4,256.09
Return per acre from operation.....	\$2.47
Value of 1,720 acres at \$1.25 per acre.....	\$215,062.50
Income if invested in tax exempt securities yielding 4%	\$8,602.50

NOTE.—The foregoing data was secured in the same method and manner as that described on Exhibit "A."

Iowa Farms

General Financial Statement—Owner Farms

Farm No.	Acres	Income	Expense	Net receipts	Labor allowance	Interest allowed	Deficit or surplus
No. 2	160	\$4,652.40	\$2,895.02	\$1,757.38	\$980.00	\$1,311.68	\$445.70
No. 8	240	7,672.40	3,891.89	3,780.51	940.00	2,484.27	356.24
No. 22	160	6,216.75	3,334.38	2,882.35	840.00	2,138.13	95.76
No. 16	240	9,499.64	8,257.19	1,242.45	1,500.00	790.60	848.15
No. 3	252	9,313.13	8,646.63	666.50	960.00	830.55	11,124.05
No. 7	120	2,966.56	1,796.10	1,170.46	840.00	1,459.91	1,129.45
No. 33	80	2,243.01	1,443.77	799.24	1,320.00	896.81	1,417.57
No. 24	160	11,884.98	10,140.63	1,744.35	1,722.50	1,990.37	1,968.72
No. 34	160	3,467.31	4,663.58	1,196.27	601.27	1,122.01	2,919.52
No. 3	320	10,047.19	6,910.69	3,136.50	2,200.00	4,139.95	3,203.45
No. 14	180	5,565.37	7,316.28	1,750.91	1,230.00	1,181.11	4,162.62
No. 19	400	6,226.05	4,756.63	1,469.42	2,175.00	3,782.40	4,487.92
No. 23	199	7,063.39	10,631.97	3,568.38	1,440.00	1,033.74	6,042.32
Owued	2680	\$76,818.16	\$74,684.74	\$12,133.40	\$16,748.77	\$22,961.53	\$26,596.90
Rented	211			Deduct land charges			31,181.71
	2891			Net Operating Return			4,584.81
Return per acre from operation							\$1.56
Value of 2,680 acres at \$125 per acre							\$335,000.00
Income if invested in tax exempt securities yielding 4%							13,400.00

NOTE.—The foregoing data was secured in the same method and manner as that described on Exhibit "A."

485 EXHIBIT "D" TO NOURSE'S AFFIDAVIT

Iowa Farm Operations

Aggregate Accounts for 1921 on Eighteen Better Than Average Iowa Farms

Number of farms	18
Acreage reported	4,160
"Actual value" as shown by assessor	\$393,048.00
Average "actual value" per acre	\$94.48
Net income of these eighteen farms after paying hired man's wages to operator, but no taxes nor return to land	\$4,613.18
Net income per acre	\$1.11
Percentage which this net return is of the assessor's "actual value"	1.173%
Total value of eighteen farms (4,160 acres) at \$125 per acre	\$520,000.00
Percentage which net return of \$4,613.18 is of above value .....	.887%
Income on \$520,000 if invested in tax exempt securities yielding 4%	\$20,800.00
Income on \$125 invested in tax exempt securities yielding 4%	\$5.00

*NOTE.—These eighteen farms are located in one of the best farming areas of the State and represent conditions somewhat better than the average. The record numbers assigned to the farms used in compiling the above figures are as follows: 3, 7, 8, 10, 13, 14, 16, 17, 20, 22, 23, 24, 25, 30, 31, 34, 35, and 36.

The data here given *was* compiled and secured under the supervision of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa. The figures are the result of careful records kept by the farmers, aided by a trained field man, instead of being derived from the estimates made by the farmers at the end of the year, as in the survey method. The method here used is known as the Route Method. Each co-operating farmer is given a book of original entry in which he records all his cash transactions, the hours of labor, the amount of horse and machinery used on each of the various crops and live stock enterprises, as well as the amount of feeds going to the different classes of live stock; and which, 486 with the aid of the field man, is entered a detailed inventory of the farm property with the rates and amounts of depreciation of the various buildings, implements and farm animals. The field man visits each of these co-operating farmers frequently to advise them in their record keeping and to check their entries, so that all the figures shall be as accurate as possible. At the close of the year the farmers' books are collected by the field man and their original entries are posted into a set of ledger accounts, from which

the financial statements, the losses or gains on specific enterprises, and the cost figures as given in this report are derived.

Authority: Records and Books of Account on file in the office of the Chief of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa.

487

EXHIBIT "E" TO NOURSE'S AFFIDAVIT

Iowa Farm Operations

Aggregate Accounts for 1920 on Twenty-three Better Than Average Iowa Farms

Number of farms	23
Acreage reported	5,073 $\frac{1}{2}$
"Actual value" as shown by assessor	\$449,002.00
Average "actual value" per acre	\$88.50
Net income of these twenty-three farms after paying hired man's wages to operator, but no taxes nor re- turn to land	\$7,005.68
Net income per acre	\$1.38
Percentage which this net return (loss) is of the asses- sor's "actual value" .....	.144%
Total value of twenty-three farms (5,073 $\frac{1}{2}$ acres) at \$125.00	\$634,187.50
Percentage which net return of \$7,005.68 is of above value .....	.110%
Income on \$634,187.50 invested in tax exempt securi- ties yielding 4%	\$25,367.10
Income on \$125 invested in tax exempt securities yield- ing 4%	\$5.00

NOTE.—The foregoing data was secured in the same method and manner as that described on Exhibit "D."

[fol. 488]

EVIDENCE: EXHIBIT "P"

Office Copy

Before attempting to fill up this blank read carefully the printed instructions on the next page. Must be filed with Executive Council on or before the first day of April.

*Annual Report of the Chicago Great Western Railroad Company,
Made to the Executive Council of the State of Iowa for the Year
Ending December 31, 1921*

Names of officers	Post office addresses
President S. M. Felton.....	Chicago, Ill.
Vice-president ——— ———	" "
Secretary W. G. Lerch.....	" "
Treasurer J. F. Coykendoll.....	" "
General Counsel Ralph M. Shaw.....	" "
General Manager C. L. Hinkle.....	" "
General Superintendent ——— ———	" "
Chief Engineer C. G. Dels.....	" "
Comptroller Con F. Krebs.....	" "
Tax Commissioner W. L. Derr.....	" "
Superintendents of Iowa Divisions ——— ———	

Names of directors

Clyde M. Carr.....	Chicago, Ill.
E. A. Cudahy.....	" "
E. C. Finkbine.....	Des Moines, Ia.
Hon. E. N. Hurley.....	Chicago, Ill.
C. I. Joffrey.....	Minneapolis, Minn.
J. A. Spoor.....	Chicago, Ill.
Col. A. A. Sprague.....	Chicago, Ill.
E. F. Swinney.....	Kansas City, Mo.
Milton Tootle, Jr.....	St. Joseph
C. H. Thorne.....	Chicago, Ill.
G. W. Wattles.....	Hollywood, Cal.
S. M. Felton.....	Chicago, Ill.

[fol. 489]

Explanations and Instructions

This report is required under Sections 1334 and 1335 of the Code of 1897 as amended by Chapter 58 of the laws of the Twenty-ninth General Assembly, and Chapter 46, Acts of Thirtieth General Assembly, and under Chapter 61 of the laws of the Twenty-ninth General Assembly. To these provisions of the statute you are respectfully referred for any information that may not be disclosed in these explanations and instructions.

In addition to the statute, the Executive Council on May 12, 1902, adopted certain rules and regulations which must be borne in mind in compiling the report. These rules and regulations have already been communicated to the several railway companies, but for convenience they are here reproduced.

I

With Respect to Gross Earnings

(1) Every railway company subject to taxation in this State, shall keep a permanent account or record showing the earnings of its property in this State as distinguished from its earnings in any other State or Territory in which it may carry on business.

(2) Where the shipments, carriage, or other business is carried or done by the reporting company wholly within this State, the said account or record shall contain the full earnings of the company thereon.

(3) Where the shipment, carriage, or other business is carried or done by the reporting company partly within this State and partly without the State, the said account or record shall contain that proportion of the full earnings upon such shipment, carriage or other business which the haul or carriage in this State bears to the entire haul or carriage.

(4) The division provided for in rule three shall be made by actual computation, not by estimate.

(5) On or before the 1st day of July, 1902, every such railway company shall make, under oath, and file with the Executive Council, a report, showing its gross earnings in this State for the month of April, 1902, ascertained as hereinbefore provided, and monthly reports of such gross earnings shall thereafter be made. The blanks for the reports will be furnished by the Executive Council. (Rule No. 5 has been temporarily suspended.)

Remark.—The above reports are additional to those required to be annually made and additional to those showing the earnings of main lines and branches.

II

With Respect to Net Earnings

(1) The general rule to be hereafter observed is that whatever expense is incurred to preserve the property in the physical condition existing when the material, building, structure or equipment replaced, renewed, or repaired was originally put in use and to operate it, is to be deducted from the gross earnings in order to ascertain the net earnings, and all matters not specifically provided for shall be so determined. For convenience, the terms "mainte-

nance" and "operation" are used in these rules to describe the items which may be so deducted, and the term "betterment" the items which cannot be deducted.

(2) The cost of reducing grades and curves, of original ballast, of side tracks, shortening the line and the like, is not "maintenance" but "betterment." Provided that the superstructure in the case of reducing grades and curves shall be treated as though renewed upon the old line to the extent of the length of the old line.

(3) In the renewal of rails the added weight at cost price shall be charged to "betterment," the remainder to "maintenance."

(4) In renewal of permanent structures, such as bridges, culverts, crossings, station houses, offices, elevators, and the like, the cost of duplicating the old structure shall be charged to "maintenance," the remainder to "betterment."

(5) The entire cost of additional track or right of way shall be charged to "betterment."

(6) In renewal of rolling stock it shall be ascertained what the engine or car renewed or one of like efficiency would cost, and such amount shall be charged to "maintenance," and any excess to "betterment."

(7) The value of all materials, rails, ties, structures, equipment and the like displaced by new material, rails, ties, structures, equipment and the like, shall be applied to reduce the cost of maintenance.

(8) The cost of maintenance and operation of the entire system, as well as in the State of Iowa, shall be ascertained as herein provided and shall be reported.

(9) Expenditures for maintenance and operation relating solely to lines in Iowa shall be charged to cost of maintenance and operation in this State, all other expenditures for such purposes shall be equitably divided and the basis of the division shall be stated in the report.

(10) Neither interest nor taxes shall be charged to "maintenance" nor "operation."

Schedules numbered 1, 2, 3, 4 and 5 are intended to present a complete enumeration of the physical property of the company, other than lands.

Schedules 6*a*, 6*b*, 6*c* and 6*d* are intended to disclose the gross earnings of the lines in Iowa, computed as directed by Chapter 61 of the laws of the Twenty-ninth General Assembly.

Schedule 7 is intended to disclose the gross earnings of all the lines of company, i. e., its entire system.

Schedule 8 is intended to include those items of expenditure which are properly deducted from gross earnings in order to ascertain net

**CHART
TOO
LARGE
FOR
FILMING**

*Number of Ties to Mile Within the State, Weight of Rails per Yard on Main Line, Double and Side Tracks—Number of Bridges, Culverts, &c.
All Other Property Not Otherwise Classified or Scheduled*

Name of line	Point of beginning and terminus	Number of miles of track within and without the State		
		Owned	Leased	Total
Within State of Iowa				
Chicago Great Western Railroad.....	Iowa-Minn. Line to Iowa-Ill. Line.....	142,493	504	142,9
Southern Div.....	Oelwein to Ia.-Mn. Line.....	228,194	2,758	230,9
Cedar Falls Branch.....	C. F. Jet. to Cedar Falls.....	7,526	.....	7,5
Waverly Branch.....	Sumner to Waverly.....	21,871	.....	21,8
Total C. G. W. R. R. & Branches.....		400,084	3,262	403,3
Mason City & Ft. Dodge R. R. (Western Div. C. G. W. R. R.)....	Minn.-Ia. line to Manly/	233,940	2,498	236,4
	Manly, Ia. to Council Bluffs/.....			
	Clarion, Ia. to Hampton, Ia./.....	96,896	.....	96,8
	Hampton, Ia. to Oelwein /.....			
	Lehigh Branch Ft. Dodge to Lehigh.....	15,751	.....	15,7
Total M. C. & Ft. D. R. R. & Branches.....		346,587	2,498	349,0
Wisconsin, Minn. & Pacific R. R. (Nor. Dis. C. G. W.).....	Minn.-Ia. line to Osage, Ia.....	22,505	.....	22,5
Grand Totals.....		769,176	5,760	
Outside State of Iowa				
Chicago Great Western Railroad.....	Minneapolis to Minn.-Iowa line/	.....	.....	.....
	Iowa line to Forest Park, Ill. /.....	257,580	34,751	292,3
	Missouri-Ia. Line to K. C., Mo.....	85,737	39,539	123,3
Martinville Minn. Branch.....		6,950	.....	6,9
De Kalb Ill. Branch.....		5,810	.....	5,8
Mason City & Ft. Dodge R. R.....	Hayfield-Minn. to Minn.-Ia. Line.....	27,393	.....	27,3
	Ia.-Nebr. line to S. Omaha.....	.....	5,632	5,6
Wis., Minn., Pacific R. R.....	Mankato, Minn. to Minn.-Iowa line &/	248,500	.....	248,5
	Simpson to Winona, Minn. /.....			
	Bellechester, Minn. Branch.....	6,430	.....	6,4
Total		638,400	79,922	718,3

SCHEDULE 3

*Line, Double and Side Tracks—Number of Bridges, Culverts, Turn Tables—Number of Miles of Telegraph Used Exclusively for Railroad Business—
All Other Property Not Otherwise Classified or Scheduled*

Beginning and terminus	Number of miles of track within and without the State			Number of ties per mile on all track within the State	Weight of rails per yard			No. of bridges	No. of culverts	No. of turn tables	No. of miles of telegraph in State
	Owned	Leased	Total		Main line	Db'l tr.	Side tr.				
Line to Iowa-Ill. Line.....	142,493	504	142,997	3,000	75-85-100	75 & 85	60 & 75	356	861	5	
Ia.-Mn. Line.....	228,194	2,758	230,952	3,000	75 & 85	.....	56-60-75				
o Cedar Falls.....	7,526	.....	7,526	"	60	.....	56-60				
Waverly.....	21,871	.....	21,871	"	60	.....	"			
.....	400,084	3,262	403,346								
Line to Manly/ to Council Bluffs.....	233,940	2,498	236,438	3,000	75	75	60 & 65	246	574	5	
to Hampton, Ia.).....	96,896	.....	96,896	"	75	.....	50-56-60				
Ia. to Oelwein and Ft. Dodge to Lehigh.....	15,751	.....	15,751	2,826	56	.....	50-56				
.....	346,587	2,498	349,085								
Line to Osage, Ia.....	22,505	.....	22,505	3,000	60	.....	60	8	33	0	
.....	769,176	5,760									
to Minn.-Iowa line) o Forest Park, Ill. {.....	257,580	34,751	292,331	3,000	85	.....	60 & 75	249	963	8	
Line to K. C., Mo.....	85,737	39,539	123,503	"	85 & 100	.....	"			
.....	6,950	.....	6,950	"	75 & 85	.....	56-60-75				
.....	5,810	.....	5,810	"	60	.....	56-60				
.....					60	.....	60				
mn. to Minn.-Ia. Line.....	27,393	.....	27,393	3,000	75	.....	56-60	25	34	0	
ie to S. Omaha.....	.....	5,632	5,632	.....						
Minn. to Minn.-Iowa line &/ to Winona, Minn. {.....	248,500	.....	248,500	2,600	56-60-75	.....	50-56-60	258	537	3	
, Minn. Branch.....	6,430	.....	6,430	"	56	.....	56	3	23	0	
.....	638,400	79,922	718,322								

SCHEDULE 6-C

Statement of Gross Earnings Upon Road Operated Within the State of Iowa, in the Year Ending December 31, 1921, Upon Business Originating or Terminating Within the State of Iowa, Computed Upon the Basis of the Length of Haul in Iowa, as Compared with the Haul El

Name of division or line	From passengers	From freight	From express service	From mail service	From telegraph service	From track rent
	B	C	D	E	F	G
Main Line	4230 33 03	1530237 46	.....	.....	.....	.....
Cedar Falls Branch	63 63	856 04	.....	.....	.....	.....
Waverly Branch	48 91	2594 60	.....	.....	.....	.....
Oelwein-Clarion Br.	10856 65	245504 65	.....	.....	.....	.....
Lehigh Branch	3 81	1538 72	.....	.....	.....	.....
W. M. & P. R. R. Branch	3827 20	1393 71	.....	.....	.....	.....
Total	437863 23	1785124 58	.....	.....	.....	.....

SCHEDULE 6-D

Statement of Gross Earnings Upon Road Operated Within the State of Iowa, for the Year Ending December 31, 1921, Upon Business Neither Originating nor Terminating Within the State of Iowa, Computed Upon the Basis of Length of Haul in Iowa, as Compared with the Haul El

Name of division or line	From passengers	From freight	From express service	From mail service	From telegraph service	From track rent
	B	C	D	E	F	G
Main Line	391903 84	1207039 64	.....	.....	.....	.....
Cedar Falls Branch .....	.....	.....	.....	.....	.....	.....
Waverly Branch .....	.....	.....	.....	.....	.....	.....
Oelwein-Clarion Br.	2039 70	189416 26	.....	.....	.....	.....
Lehigh Branch .....	.....	.....	.....	.....	.....	.....
W. M. & P. R. R. Branch	5349 24	7072 81	.....	.....	.....	.....
Total	399325 82	1403558 71	.....	.....	.....	.....

SCHEDULE 6-E

Indivisible Gross Earnings, Within the State, Which Cannot be Classified Under Schedules 6-A, 6-B,

Main Line .....	.....	157237 61	211423 98	.....	.....
Cedar Falls Branch .....	.....	959 29	.....	.....	.....
Waverly Branch .....	.....	1104 39	6249 41	.....	.....
Oelwein-Clarion Br. ....	.....	15424 91	31207 03	.....	.....
Lehigh Branch .....	.....	.....	7614 51	.....	.....
W. M. & P. R. R. Br. ....	.....	.....	.....	.....	.....
Total .....	.....	174723 20	256494 93	.....	.....

SCHEDULE 7

Gross Earnings for the Year Ending December 31, 1921, of Entire Road (Within and Without the State of Iowa)

4,884,561 96	17,522,199 77	315915 99	480646 48	1094 18	168054 06
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SCHEDULE 6-A

Within the State of Iowa, in the Year Ending December 31, 1921, Upon Business Originating Outside the State of Iowa and Terminating in the State, Computed Upon the Basis of the Length of Haul in Iowa, as Compared with the Haul Elsewhere

From freight	From express service	From mail service	From telegraph service	From track rent	From car rent	Miscellaneous	Total
C	D	E	F	G	H	I	J
1530237 46	9778 77	1963079 26
856 04	57	920 24
2594 60	54	2644 05
245504 05	133 23	256493 93
1538 72	1542 53
4393 74	34 81	8255 72
<hr/> 1785124 58	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> 9947 92	<hr/> 2232935 73

SCHEDULE 6-B

Within the State of Iowa, for the Year Ending December 31, 1921, Upon Business Neither Originating Nor Terminating Within This State, But Passing, or Some Part of it, Computed Upon the Basis of Length of Haul in Iowa, as Compared with the Haul Elsewhere

From freight	From express service	From mail service	From telegraph service	From track rent	From car rent	Miscellaneous	Total
C	D	E	F	G	H	I	J
4297039 64	7456 19	4906132 69
.....
189416 26	19 38	191505 34
.....
7072 81	11 80	12433 87
<hr/> 4493558 71	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> 7187 37	<hr/> 5410071 90

SCHEDULE 6-C

Gross Earnings, Within the State, Which Cannot be Classified Under Schedules 6-A, 6-B, 6-D, & 6-E

.....	157237 61	211423 98	.....	.....	.....	68258 75	436920 34
.....	959 29	.....	.....	.....	.....	.....	959 29
.....	1104 39	6249 41	.....	.....	.....	.....	7353 80
.....	15424 91	31207 05	.....	.....	.....	.....	46634 97
.....	.....	7614 51	.....	.....	.....	.....	7614 51
<hr/>	<hr/> 174724 29	<hr/> 256494 96	<hr/>	<hr/>	<hr/>	<hr/> 68258 75	<hr/> 499479 91

SCHEDULE 7

Earnings for the Year Ending December 31, 1921, of Entire Road (Within and Without this State)

1,522,199 77	315915 99	480646 48	1094 18	168054 06	1413635 32	1015519 44	25801626 87
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SCHEDULE 8

Operating Expenses (i. e., Expenditures for Maintenance and Operation, Excepting Taxes) for Road Within State of Iowa, for the Year E
Strictly the Rules Given in the Explanations and Instructions on Page Two and the Provisions of Sect

Name of line	Train, station and telegraph service and surplus	Repairs and re- newals of all property	Rent of cars, tracks, etc.	Management of general offices	Foreign agencies and advertising	Loss and damages paid	Local expenses
A	B	C	D	E	F	G	H
Main Line	4591636 76	3,733,491 79	860040 95	263327 29	221808 71	370735 75	23823
Cedar Falls Branch.....	59028 23	47,949 73	.....	3248 47	2736 29	5112 23	293
Waverly Branch	155875 31	139607 79	.....	9510 99	8011 49	12638 18	860
Oelwein Clarion Br.....	429030 33	470501 14	.....	42196 66	35543 56	49340 22	3818
Lehigh Branch	69645 82	76280 08	.....	6831 84	5754 67	7992 46	618
W. M. & P. R. R. Branch.....	34729 96	71694 88	.....	9778 91	8237 08	10547 78	884
	5249946 41	4539525 41	860040 95	334894 16	282091 71	456366 62	30304

SCHEDULE 9

Operating Expenses (i. e., Expenditures for Maintenance and Operation, Excepting Taxes) for Entire System or Road Within and Wi

C. G. W. R. R.....	10122264 00	8980442 25	3133123 53	652687 89	553663 80	858927 00	59064
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SCHEDULE 8

and Operation, Excepting Taxes) for Road Within State of Iowa, for the Year Ending December 31, 1921. In filling this Schedule Follow Given in the Explanations and Instructions on Page Two and the Provisions of Section 1335 of the Code

Repairs and re- newals of all property	Rent of cars, tracks, etc.	Management of general offices	Foreign agencies and advertising	Loss and damages paid	Legal expenses	Insurance	Miscellaneous	Total (excluding taxes)	Taxes
C	D	E	F	G	H	I	J	K	L
5733.491 79	860040 95	263327 29	221808 71	370735 75	23828 44	242 35	184132 87	10159244 91	
47,949 73	.....	3248 47	2736 29	5112 23	293 95	2 99	1,118 84	119490 73	
139607 79	.....	9510 99	8011 40	12638 18	860 65	8 75	3275 77	329788 84	
470501 14	.....	42196 66	35543 56	49340 22	3818 37	38 84	14533 37	1045002 49	
76280 08	.....	6831 84	5754 67	7992 46	618 21	6 29	2353 02	169482 39	
71694 88	.....	9778 91	8237 08	10547 78	884 89	9 00	3368 05	139250 55	
<u>4539525 41</u>	<u>860040 95</u>	<u>334894 16</u>	<u>282091 71</u>	<u>456366 62</u>	<u>30304 51</u>	<u>308 22</u>	<u>208781 92</u>	<u>11962259 91</u>	

SCHEDULE 9

nance and Operation, Excepting Taxes) for Entire System or Road Within and Without this State for the Year Ending December 31, 1921

3980442 25	3133123 53	652687 89	553663 80	858927 00	59061 60	600 71	408491 36	24769262 14
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SCHEDULE 10

Recapitulation (This Recapitulation Relates to the Property, Earnings, Expenses, etc., of the Railroad)

Name of line A	Miles of road		Lands and town lots listed in land record D	Value of property used in operation	
	In Iowa B	Entire length C		Road (Schedule 1) E	Buildings, etc., (Schedule 2) F
Chicago Great Western R. R. (all lines).....	769.176	1407.576	Included in "E"	10910578	437215

SCHEDULE 10—Continued. (Lines in State of Iowa only)

Name of line J	Gross earnings (Schedule 6)		Operating expenses (Schedule 8)		Net earnings	
	Total	Per mile	Total	Per mile	Total	Per
	K	L	M	N	O	P
Main Line	11402628 70	118859 95	10159244 91	16802 50	1243383 79	20
Cedar Falls Branch	8021 40	1065 83	119490 73	15877 06	.....	..
Waverly Branch	27193 44	1243 36	329788 84	15078 82	.....	..
Oelwein Clarion Branch	983007 57	10144 98	1045002 49	10784 78	.....	..
Lehigh Branch	15115 50	959 65	169482 39	10760 10	.....	..
W. M. & P. R. R. Branch	41068 76	1824 87	139250 55	6187 54	.....	..
	12477035 37	16221 30	11962259 91	15552 05	514775 46	6

SCHEDULE 10—Concluded—(Entire System)

Name of System	Gross earnings (Schedule 7)		Operating expenses (Schedule 9)		Net earnings	
	Total	Per mile	Total	Per mile	Total	Per
	J	K	L	M	N	O	P
C. G. W. R. R.	25801626 87	17246 39	24769262 14	16556 33	1032364 73	6

SCHEDULE 10

tion (This Recapitulation Relates to the Property, Earnings, Expenses, etc., of the Road in Iowa)

Value of property used in operating road in Iowa

Miles of road		Lands and town lots listed in land record	Value of property used in operating road in Iowa				Actual value of property per mile of road in Iowa
In Iowa	Entire length		Road (Schedule 1)	Buildings, etc. (Schedule 2)	Rolling stock (Schedule 4)	Total	
B	C	D	E	F	G	H	I
769.176	1407.576	Included in "E"	10910578	437215	3917438	15,265,231	19846

SCHEDULE 10—Continued. (Lines in State of Iowa only)

Gross earnings (Schedule 6)		Operating expenses (Schedule 8)		Net earnings or loss				Taxes paid in 1921
				Net earnings		Loss		
Total	Per mile	Total	Per mile	Total	Per mile	Total	Per mile	
K	L	M	N	O	P	Q	R	S
1402628 70	118859 95	10159244 91	16802 50	1243383 79	2056 45	.....	.....	403994.26
8021 40	1065 83	119490 73	15877 06	.....	.....	111469 33	14811 23	4162.00
27193 44	1243 36	329788 84	15078 82	.....	.....	302595 40	13835 46	9583.10
983007 57	10144 98	1045002 49	10784 78	.....	.....	61994 92	639 80	10922.42
15115 50	959 65	169482 39	10760 10	.....	.....	154366 89	9800 45	9981.49
41068 76	1824 87	139250 55	6187 54	.....	.....	98181 79	4362 67	11331.02
2477035 37	16221 30	11962259 91	15552 05	514775 46	669 25	.....	.....	449974.29

SCHEDULE 10—Concluded—(Entire System)

Gross earnings (Schedule 7)		Operating expenses (Schedule 9)		Net earnings or loss				Taxes paid in 1921
				Net earnings		Loss		
Total	Per mile	Total	Per mile	Total	Per mile	Total	Per mile	
K	L	M	N	O	P	Q	R	S
801626 87	17246 39	24769262 14	16556 33	1032364 73	690 06	.....	.....	861756.59

[fol. 501] (Copy mutilated.) purpose of taxation, such statement shall show the number of sleeping and dining cars not owned by such corporation of the year for which the return is made, the value of each car so used, and also the number of miles each month said cars have been run or operated each month within and without the state. Such statement shall show the average daily sleep division of the line or system within the state, designating the points on the line where variations occur, with the mileage of that part havin

Attach the Sleeping Car Company's Report.

Standard (line) between Ill. Iowa line and Oelwein Iowa, 74,001 miles of main track					Standard (line) between Oelwein, Iowa, and Chariton, Iowa, 97,081 miles of main track					Standard (line) between Dodge, Iowa, 28,740 miles of main track				
Month	Cars used		Miles run by same		No.	Cars used		Miles run by same		No.	Cars used		Miles run by same	
	No. A	Total value B	In Iowa C	On entire line D		No. A	Total value B	In Iowa C	On entire line D		No. A	Total value B	In Iowa C	On entire line D
January	13	.....	29091	133395	2	.....	.....	6019	23126	4	.....	.....	.....
February	11	.....	22842	113441	2	.....	.....	5437	20888	4	.....	.....	.....
March	11	.....	25446	126393	2	.....	.....	6019	23126	4	.....	.....	.....
April	11	.....	24850	123293	2	.....	.....	5824	22380	4	.....	.....	.....
May	12	.....	25966	120445	2	.....	.....	6019	23126	4	.....	.....	.....
June	12	.....	27455	138041	2	.....	.....	5824	22380	4	.....	.....	.....
July	12	.....	30356	155222	2	.....	.....	6019	23126	4	.....	.....	.....
August	12	.....	28124	141069	2	.....	.....	6019	23126	4	.....	.....	.....
September	12	.....	27380	138540	2	.....	.....	5824	22380	4	.....	.....	.....
October	12	.....	27752	130997	2	.....	.....	6019	23126	4	.....	.....	.....
November	12	.....	27231	137491	2	.....	.....	5824	22380	4	.....	.....	.....
December	12	.....	24999	123731	2	.....	.....	6019	23126	4	.....	.....	.....
Total	.....	.....	321492	1582058	.....	.....	.....	70866	272290	.....	.....	.....	.....

Proportionate Value in State
Number of Miles of Road
Average Value per Mile

Standard (line) between Waterloo, Iowa, and Des Moines, Iowa, 104,501 miles of main track					Standard (line) between Des Moines, Iowa, and Iowa-Mo. line, 95,412 miles of main track					Standard (line) between Mauly, Iowa, 19,828 1				
Month	Cars used		Miles run by same		No.	Cars used		Miles run by same		No.	Cars used		Miles run by same	
	No. A	Total value B	In Iowa C	On entire line D		No. A	Total value B	In Iowa C	On entire line D		No. A	Total value B	In Iowa C	On entire line D
January	16	.....	45028	218440	10	.....	.....	35589	156022	2	.....	.....	.....
February	14	.....	32946	162769	10	.....	.....	29578	123625	2	.....	.....	.....
March	14	.....	33887	175074	10	.....	.....	31295	131358	2	.....	.....	.....
April	14	.....	33092	174394	10	.....	.....	30012	130738	2	.....	.....	.....
May	14	.....	34620	177916	10	.....	.....	31376	134266	2	.....	.....	.....
June	14	.....	36607	187533	10	.....	.....	33298	144287	2	.....	.....	.....
July	14	.....	42150	215331	10	.....	.....	37974	171930	2	.....	.....	.....
August	14	.....	41300	211632	10	.....	.....	37974	167433	2	.....	.....	.....
September	14	.....	36293	186540	10	.....	.....	33203	144279	2	.....	.....	.....
October	14	.....	35038	179871	10	.....	.....	31963	136533	2	.....	.....	.....
November	15	.....	35143	201598	11	.....	.....	31677	156748	2	.....	.....	.....
December	17	.....	35247	199700	13	.....	.....	31963	155549	2	.....	.....	.....
Total	.....	.....	441151	2290798	.....	.....	.....	396802	1751868	.....	.....	.....	.....

Proportionate Value in State
Number of Miles of Road
Average Value per Mile

General Remarks

It shall show the number of sleeping and dining cars not owned by such corporation, but used by it in operating its railway in the state during each year, and also the number of miles each month said cars have been run or operated on such railway within the state, and the total number of miles run or operated on such railway within and without the state. Such statement shall show the average daily sleeping car and dining car service or wheelage operated on each part or point on the line where variations occur, with the mileage of that part having the same daily service or wheelage.

Attach the Sleeping Car Company's Report.

Standard (line) between Oelwein, Iowa, and Clarion, Iowa, 97.083 miles of main track					Standard (line) between Clarion, Iowa, and Ft. Dodge, Iowa, 28.740 miles of main track					Standard (line) between Oelwein, Iowa, and Waterloo, Iowa, 25.892 miles of main track				
Cars used					Cars used					Cars used				
Miles run by same					Miles run by same					Miles run by same				
On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B
133395	2	.....	6019	23126	4	.....	3563	48360	18	.....	12480	235032	16	.....
113441	2	.....	5437	20888	4	.....	3219	40880	16	.....	9606	178001	16	.....
126393	2	.....	6019	23126	4	.....	3564	45260	16	.....	9994	191936	16	.....
123293	2	.....	5824	22380	4	.....	3478	44157	16	.....	9943	190748	16	.....
120445	2	.....	6019	23126	4	.....	3593	45617	16	.....	10201	195092	16	.....
138041	2	.....	5824	22380	4	.....	3937	49869	16	.....	10616	203853	16	.....
155222	2	.....	6019	23126	4	.....	5173	65252	16	.....	12040	232195	16	.....
141069	2	.....	6019	23126	4	.....	5374	67751	16	.....	11755	228496	16	.....
138540	2	.....	5824	22380	4	.....	5173	65220	16	.....	10538	202860	16	.....
130997	2	.....	6019	23126	4	.....	5346	67394	16	.....	10269	196735	16	.....
137491	2	.....	5824	22380	4	.....	5173	65220	17	.....	10217	217646	16	.....
123731	2	.....	6019	23126	4	.....	5231	65966	19	.....	10331	216564	16	.....
1582058			70866	272290			52824	670946			127990	2489158		

Standard (line) between Des Moines, Iowa, and Iowa-Mo. line, 95.412 miles of main track					Standard (line) between Iowa-Minn. line and Mandy, Iowa, 19.828 miles of main track					Standard (line) between Mandy, Iowa, and Mason City, Iowa, 9.183 miles of main track				
Cars used					Cars used					Cars used				
Miles run by same					Miles run by same					Miles run by same				
On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B
218440	10	.....	35589	156022	2	.....	1235	25234	17	.....	2874	231713	17	.....
162769	10	.....	29578	123625	2	.....	1110	19992	17	.....	2580	206635	17	.....
175074	10	.....	31295	131358	2	.....	1219	22134	17	.....	2865	227052	17	.....
174394	10	.....	30912	130738	2	.....	1209	21777	17	.....	2790	322692	17	.....
177916	10	.....	31376	134266	2	.....	1249	22491	17	.....	2911	229920	17	.....
187533	10	.....	33298	144287	2	.....	1526	27489	20	.....	3581	259512	20	.....
215331	10	.....	37974	171030	2	.....	2340	42126	20	.....	4298	294350	20	.....
211632	10	.....	37974	167433	2	.....	2479	44625	20	.....	4481	306629	20	.....
186540	10	.....	33203	144279	2	.....	2379	42840	20	.....	3912	278062	20	.....
179871	10	.....	31963	136533	2	.....	2459	44268	20	.....	4050	283173	20	.....
201598	11	.....	31677	156748	2	.....	2379	42840	20	.....	3921	274849	20	.....
199700	13	.....	31963	155549	2	.....	2379	42840	20	.....	3958	279249	20	.....
2290798			396802	1751868			21963	398656			42221	3193836		

General Remarks

Standard—
Mason City to Clarion, 43.511 miles

Cars used	Miles run by same	
	In Iowa	Entire line
January	2	2697
February	2	2437
March	2	2697
April	2	2654
May	2	2741
June	2	3350
July	2	5134
August	2	5439
September	2	5221
October	2	5395
November	2	5221
December	2	5221
Average	2	48,207

Standard—McIntire to Iowa—
Minn. line near La Roy, 5.54 miles

Cars used	Miles run by same	
	In Iowa	Entire line
January	9	1562
February	4	620
March	4	687
April	4	664
May	4	687
June	4	703
July	4	687
August	4	687
September	4	665
October	4	687
November	4	665
December	4	687
Average	..	9001

Standard—
Oelwein to McIntire, 64.033

Cars used	Miles run by same	
	In Iowa	Entire line
January	17	25616
February	17	32340
March	17	34901
April	17	34127
May	18	35537
June	18	38039
July	18	43867
August	18	41689
September	18	38231
October	17	37399
November	19	36822
December	21	34773
Average	..	433341

Standard—
Minn. line ne

Standard—Ft. Dodge
to Council Bluffs, 134.692 miles

Cars used	Miles run by same	
	In Iowa	Entire line
January	2	8359
February	2	7543
March	2	8351
April	2	8216
May	2	8485
June	2	10371
July	2	15894
August	2	16836
September	2	16163
October	2	16702
November	2	16163
December	2	16163
Average	..	149237

Standard—tourist—Minn.—
Iowa line to Oelwein, 68.660 miles

Cars used	Miles run by same	
	In Iowa	Entire line
January	6	1511
February	4	1030
March	2	509
April	..	..
May	..	..
June	..	..
July	..	..
August	..	..
September	..	..
October	..	..
November	6	1648
December	6	1373
Average	..	6071

Standard—tourist—Oelwein
to Iowa-Mo. line, 225.895 miles

Cars used	Miles run by same	
	In Iowa	Entire line
January	6	4970
February	4	3388
March	2	1807
April	..	..
May	..	..
June	..	..
July	..	..
August	..	..
September	..	..
October	..	..
November	6	5421
December	6	4518
Average	..	20104

Standard—
Mason City to Carlton, 43.511 miles

Cars used	Miles run by same	
	In Iowa	Entire line
2	2697	25234
2	2437	19992
2	2697	22134
2	2654	21777
2	2741	22491
2	3350	21489
2	5134	42126
2	5439	44625
2	5221	42840
2	5395	44268
2	5221	42840
2	5221	42840
2	48,207	398656

Standard—McIntire to Iowa—
Minn. line near Le Roy, 5.54 miles

Cars used	Miles run by same	
	In Iowa	Entire line
9	1562	122879
4	620	46032
4	687	50964
4	664	49320
4	687	50964
4	703	51713
4	687	50964
4	687	50570
4	665	49320
4	687	50964
4	665	49320
4	687	50964
..	9001	673974

Standard—
Oelwein to McIntire, 64.039

Cars used	Miles run by same	
	In Iowa	Entire line
17	25616	227445
17	32340	197754
17	34901	212849
17	34127	210193
18	35537	210563
18	38039	238902
18	43867	283691
18	41689	264737
18	38231	241020
17	37399	224006
19	36822	250765
21	34773	234301
..	433341	2796226

Standard—McIntire to Ia.—
Minn. line near Toopl, 4.621 miles

Cars used	Miles run by same	
	In Iowa	Entire line
8	1423	104566
13	1816	151722
13	1945	162885
13	1908	160873
11	2277	188367
14	2158	187189
14	2592	232727
14	2435	214167
14	2204	191700
14	2126	173042
15	2102	201445
17	1936	183337
..	24922	2152020

Standard—Fl. Dodge
to Council Bluffs, 134.692 miles

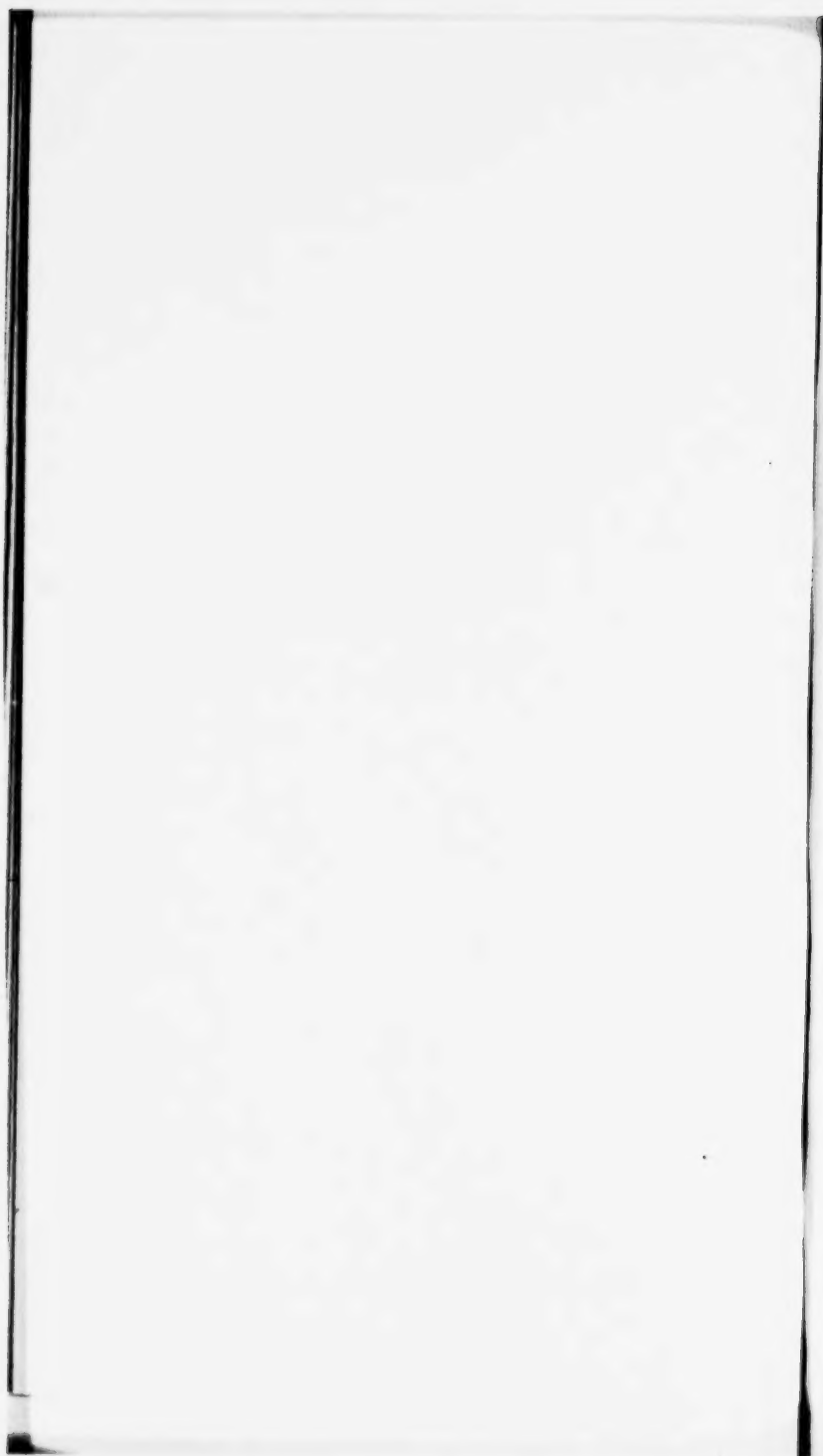
Cars used	Miles run by same	
	In Iowa	Entire line
2	8350	25234
2	7543	19992
2	8351	22134
2	8216	21777
2	8485	22491
2	10371	27489
2	15894	42126
2	16836	44625
2	16163	42840
2	16702	44268
2	16163	42840
2	16163	42840
..	149237	398656

Standard—tourist—Minn.—
Iowa line to Oelwein, 68.690 miles

Cars used	Miles run by same	
	In Iowa	Entire line
6	1511	51414
4	1030	30169
2	509	14110
..
..
..
..
..
..
..
6	1648	34668
6	1373	30508
..	6071	160869

Standard—tourist—Oelwein
to Iowa-Mo. line, 225.895 miles

Cars used	Miles run by same	
	In Iowa	Entire line
6	4970	51414
4	3388	30169
2	1807	14110
..
..
..
..
..
..
..
6	5421	34668
6	4518	30508
..	20104	160869



earnings. In making up this schedule the above rules under the head "With Respect to Net Earnings" must be strictly complied with.

Schedule 9 is intended to disclose the expenses of maintenance and operation of all the lines of the company, i. e., its entire system.

Schedule 10 is for a recapitulation of the former schedules, and must in all instances be filled.

Schedule 11 is a report of all sleeping and dining cars, forming a part of the trains of the company, owned wholly or in part by other companies or individuals, and should be carefully observed.

All explanatory remarks must be written on the page or pages found at the close of the schedules and should not be written on the schedules themselves.

This report must be verified by the general auditor of the company, or if there be no such general auditor, then by the officer of the company having general charge of its books and accounts.

This report must be filed not later than the first day of April.

In the "Value" column of the Schedule of Property, the actual value of the property must be stated.

Express all fractions in decimals, and do not extend decimals beyond three points or thousandths. Omit fractions of a dollar in giving values.

This blank must not be changed to meet convenience of reporting corporation, but be followed strictly.

Should you desire to discuss some feature of this report or the property reported, the next page may be used for statement of facts.

(Here follow tables marked side folio pages 490-502, inclusive.)

[Feb. 56:]

Remarks

Enter after the appropriate numbers below any necessary explanation of items in the schedules corresponding with respective numbers.

- Schedule 1. ____
 Schedule 2. ____
 Schedule 3. ____
 Schedule 4. ____
 Schedule 5. ____
 Schedule 6. ____
 Schedule 7. ____
 Schedule 8. ____
 Schedule 9. ____
 Schedule 10. ____
 Schedule 11. ____

STATE OF ILLINOIS,

County of Cook, ss:

I, C. G. Delo being duly sworn, upon my oath say that I am the Chief Engineer of the Chicago Great Western Railroad Company; that I have examined the foregoing Schedules numbered 1 to 11 inclusive; that the report contained in said Schedules is complete, true and correct as I verily believe; that of my own personal knowledge the gross earnings for the State of Iowa, set forth in Schedules 6a, 6b, 6c and 6d were computed and ascertained in the manner required by Chapter 61 of the laws of the Twenty-ninth General Assembly, and that the expenditures stated in Schedule 8 were computed and ascertained as required by the rules and regulations of the Executive Council of the State of Iowa, adopted May 13, 1902.

Subscribed in my presence and sworn to before me, a Notary Public in and for said County and State, by C. G. Delo on this 29 day of March, 1922.

In witness whereof, I have hereunto set my hand and seal of office.

N. A. Bell. [Seal]

[fol. 504]

EVIDENCE: EXHIBIT "Q."

Additional Annual Report of the Chicago Great Western Railroad Company to the Executive Council of the State of Iowa for the Year Ending December 31, 1921, to be Filed Within 30 Days from Date of Service.

[fol. 505]

STATE OF IOWA,

Polk County, ss.:

I, R. E. Johnson, Secretary of the Executive Council of the State of Iowa, do hereby certify that the following is a true and correct copy of a resolution adopted by the Executive Council of the State of Iowa on March 20th, 1922.

Resolution.

Resolved that the several railroad and railway companies having property in the State of Iowa used and useful for railway purposes to be valued by the Executive Council for assessment for the year 1921 and subsequent years be required and requested to furnish the information called for in the additional annual report to which this resolution is attached and which additional annual report is made a part of this resolution.

Be it further resolved that the information be furnished in detail and that all of the information requested be furnished within the time and manner provided by law and filed with the Executive Council of the State of Iowa as is provided by law.

Be it further resolved that the Secretary of the Executive Council of the State of Iowa cause to be delivered to the several railroad companies such additional annual reports accompanied by copy of this resolution in the time and manner as provided by law.

It is further certified that the Executive Council at such meeting directed that notice of the adoption of such resolution be given the several railroad and railway companies in accordance with the provision of law and that the information be furnished within the time and manner as provided by law for the use of the Executive Council in connection with the assessment of the property of each of the railroad and railway companies operating within the State of Iowa and having property within the State of Iowa subject to assessment by the Executive Council of the State of Iowa.

This resolution is printed and this certificate is printed in connection with the request for information and additional annual report as required by the Executive Council.

In testimony whereof I hereunto set my hand and the official seal of the Executive Council of the State of Iowa.

Dated this 20th day of March, 1922.

R. E. Johnson, Secretary of the Executive Council of the State of Iowa.

Instructions

1. In tables one, two, three, four and five set out fully and in detail all the information requested and designated in such tables.
2. In table six there is to be set out in detail the investment in road and equipment for the entire line as shown by the abstract of reports to the Interstate Commerce Commission. In addition thereto the designations of property 47-a, 67, 68 and 69 are to be added. It will be understood that if such classes or either of such classes are included in any of the other classes so stated in the table then they need not be set out but the facts must be stated fully and completely in the space at the bottom of the table so that the Council may know just where such classes are included and under what particular class of property.
3. In table seven the investment in road and equipment within the State of Iowa. Give the information required in detail. State the method of allocation used as to each separate class of property and the reason for the use of such method of allocation. This should be stated in the blank space in the back of the report provided for remarks. The same instructions relative to classes of property 47-a, 67, 68 and 69 and under table six shall apply to table seven.
4. Table eight will be in detail and complete.
5. Table nine. As to this table state as to head of remarks in the back of the report the method of allocation used and the reason for the use of such allocation as to each separate item enumerated under this table and as to each state for which the information is furnished.
6. In table six-a the information will be furnished in detail. As to items 47-a, 67, 68 and 69 the same instructions will govern as given for table six.
7. Printer will print on the inside cover at the top and before the instruction the resolution attached.

(Here follow tables marked side folio pages 506-519, inclusive.)

[fol. 506]

TABLE I

Capital Stock and Dividends Paid Thereon During the Year Ending Dec. 31, 1921

Description of capital stock	Number of shares authorized	Par value of shares	Total par value authorized	Total amount issued and outstanding in hands of public	Amount owned by company	Dividends paid	
						Rate	Amount
Common	460,000	100	46,000,000	45,210,513	36,400	....	None
Preferred	500,000	100	50,000,000	43,926,602	210,800	....	None

TABLE II

Funded By:

Mortgage Bonds, Miscellaneous Obligations, Income Bonds, Equipment Trust Obligations, Etc., Dec. 31, 19

[illegible]

Totals, or amount forward

TABLE II
Funded Debt

Mortgage Bonds, Miscellaneous Obligations, Income Bonds, Equipment Trust Obligations, Etc., Dec. 31, 1921

Bonds designated in	Time		Amount of authorized issue	Amount issued and outstanding in hands of public	Amount owned by company	Interest		Additions to the funded debt in hands of public from Dec. 31, 1920, to Dec. 31, 1921
	Date of issue	When due				Rate	When payable	
Chicago & North Western R. R. Co., First Bonds,	Sept. 1-1909	Sept. 1-1959	75,000,000	(a) 25,383,000	(b) 12,574,000	4	March 1 and Sept. 1	None
St. Paul & Northern Pacific Termi- nals,	Jan. 1-1900	Jan. 1-1950	500,000	500,000	None	3½	Jan'y. 1 and July 1	None
Chicago & North Western R. R. Co., First Bonds,	Jan. 1-1900	Jan. 1-1950	6,232,000	11,000	(c) 6,221,000	4	Apr. 1 and Oct. 1	None
Chicago & North Western R. Co., First Mort- gage Bonds,	June 1-1905	June 1-1955	12,000,000	12,000,000	None	(d) 4	June 1 and Dec. 1	None
.....	Oct. 23-1920	Oct. 23-1935	276,000	276,000	None	6	May 1 and Nov. 1	None
.....	Dec. 21-1920	Dec. 21-1930	1,929,373	1,929,373	None	6	Jan. 1 and July 1	None
Notes,	Jan. 15-1920	Jan. 15-1935	(e) 651,000	607,000	None	6	Jan. 15 and July 15	None

Amount issued in exchange for \$6,221,000 W. M. & P. R. R. Co. bonds. See (b) and (c)

" " " " " " " " (a) " " (c)

Chicago & North Western R. Co. in exchange for a like amount of its First Mortgage 50 yr. 4% Gold Bonds, see (a) and (b)

Chicago & North Western R. Co. is not an obligation of the Chicago Great Western R. R. Co. unless it is earned under the terms of, and as provided in, the lease
note payable each year on January 15th

TABLE III

[92]

	Description of stocks, bonds, and other securities.	Capital stock, No. of shares	Time		Interest rate	Par value
			Date of issue	When due		
1.	Capital Stock—Common.....	364	Sept. 1-1900			36,400
2.						
3.	Capital Stock—Preferred	2108	Sept. 1-1900			210,800
4.						
5.	Description of bonds					
6.	C. G. W. R. R. Co. First Mortgage 50 yr. 4% Coupon Gold Bonds Unpledged..		Sept. 1-1900	Sept. 1-1950	4%	7,062,000
7.	" " " " " " Pledged....		" "	" "	4%	5,512,000
8.	(a) W. M. & P. R. R. Co. First Mortgage 50 yr. 4% Coupon Golds Bond		Oct. 1-1900	Oct. 1-1950	4%	6,221,000
9.						
10.						
11.						
12.						
13.						
14.						
15.						
16.						
17.						
18.						
19.	(a) See Note (c) Table II					
20.						
21.						
22.						
23.						
24.						
25.	Total, or amount forward					

TABLE IV

Statement of All Capital Stock, Bonds and Other Securities of Other Persons, Companies or Corporations Owned By, or Held in Trust for Reporting Company on Dec. 31, 1921, and the Market or Actual Value at the Same

		Bonds and other securities				
Description of stock, bonds and other securities (list and foot stocks and bonds separately)		Capital stock, No. of shares	Time		Interest rate	Par value
			Date of issue	When due		
1.	Iowa Development Co.	Capital Stock	250			250000
2.	Iowa Townsite Co.	" "	100			100000
3.	St. Charles Hotel & Park Co.	" "	227			22700
4.	Omaha Grain Terminals	" "	1000			100000
5.	Great Western Coal Co.	" "	3500			350000
6.	Independent Elevator Co.	" "	2206			220600
7.	Mason City & Ft. Dodge R. R. Co.	" " (Common)	192051			19205100
8.	Mason City & Ft. Dodge R. R. Co.	" " (Preferred)	136377 52/100			13637752
9.	Wisconsin, Minnesota & Pa- cific R. R. Co.	" "	58934			5893400
10.	Minnesota Transfer R. R. Co.	" "	70			7000
11.	St. Paul Union Depot Co.	" "	1036			103600
12.	St. Joseph Union Depot Co.	" "	10			1000
13.	Iowa Transfer Ry. Co.	" "	81			8100
14.	Kansas City Terminal Ry. Co.	" "	18333 1/3			1833333
15.	Leavenworth Terminal Ry. & Bridge Co.	" "	600			600000
16.	Iowa Sugar Co.	" "	125			12500
17.	Omaha Grain Exchange	" "	1			500
18.	Total Stocks					39838885
19.	aMinnesota Transfer Ry. Co.	5% Gold Bonds	Aug. 1-1916	Aug. 1-1946	5	6000
	bLeavenworth Terminal Ry. & Bridge Co.	5% " "	Jan. 1-1893	Jan. 1-1923	5	23000
20.	aPillsbury-Washburn Co.	5% Collat'l Trust Bds.		Aug. 8-1928	5	1500
	bU. S. Government 1st Liberty Loan	3 1/2% Bonds	June 15-1919	June 15-1947	3 1/2	6400
21.	a " "	1st " "	Nov. 15-1917	Nov. 15-1942	4 1/4	400
	b " "	2nd " "	Nov. 15-1917	Nov. 15-1942	4 1/4	29650
	" "	4 " "	Oct. 24-1918	Oct. 15-1938	4 1/4	252350
22.	Total Bonds					319300
23.	Independent Elevator Co.	Note	July 1-1918	July 1-1923	5	207493.42
24.	aKansas City Terminal Ry. Co.	6 Notes	*	#	6	10650
25.	bU. S. Government Victory Lib. Loan	4 3/4% Notes	May 20-1919	May 20-1923	4 3/4	408000
	c " " Treasury Notes	5 1/2% " "	Sept. 15-1921	Sept. 15-1924	5 1/2	500000
	Total Notes					1126143.42
	Total					41284328.42

*Acquired April 1, 1921; Aug. 2, 1921; Oct. 15, 1921; Nov. 1, 1921; Dec. 1, 1921; and Feb. 10, 1922.

#Due: April 1, 1922; Aug. 2, 1922; Oct. 15, 1922; Nov. 1, 1922; Dec. 1, 1922; and Feb. 10, 1923.

**CHART
TOO
LARGE
FOR
FILMING**

TABLE VIII

Mileage

A. Mileage of Line Operated (All Tracks) Dec. 31, 1921

Line in use	Line represented by capital stock		Line of proprietary companies	Line operated under lease	Line operated under contract, etc.	Line operated under trackage rights	Total mileage operated	New line constructed during year	Remarks
	Main line	Branches and spurs							
Single track	99272	1218	.....	.....	37523	8593	149606	.....
Second track	5782	.....	.....	.....	104	1787	10673	.....
Third track .....	.....	.....	.....	.....	.....	1124	1124	.....
Fourth track .....	.....	.....	.....	.....	.....	1124	1124	.....
Yard track and sidings	41420	.....	.....	.....	12489	5545	59424	.....
Totals	146474	1218	.....	.....	50116	21143	221951	none	

B. Mileage of Line Operated, by States and Territories (Single Track), Dec. 31, 1921

State or Territory	Line represented by capital stock		Line of proprietary companies	Line operated under lease	Line operated under contract, etc.	Line operated under trackage rights	Total single track mileage operated	Miles of second track	Miles of third tracks	Miles of fourth track	Miles of yard track and sidings	Total
	Main line	Branches and spurs										
Illinois	14724	581	.....	.....	.....	2414	17749	6150	.....	.....	11775	2
Minnesota	36646	695	.....	.....	2733	1061	11135	1550	1124	1124	14731	7
Iowa	39329	2942	.....	.....	34790	582	77641	2056	.....	.....	25705	10
Missouri	8498	.....	.....	.....	.....	1626	10124	361	.....	.....	4424	7
Kansas	77	.....	.....	.....	.....	2354	2431	.....	.....	.....	1761	7
Nebraska .....	.....	.....	.....	.....	.....	556	556	556	.....	.....	1028	22
Totals	99272	1218	.....	.....	37523	8593	149606	10673	1124	1124	59424	22

C. Mileage of Line Owned, by States and Territories (Single Track), Dec. 31, 1921

State or Territory	Line represented by capital stock		Miles of second track	Miles of third track	Miles of fourth track	Miles of yard track and sidings	Total mileage owned	New line constructed during year	Remarks
	Main line	Branches and spurs							
Illinois	14724	581	3800	.....	.....	10256	29361	.....
Minnesota	36646	695	495	.....	.....	12986	50622	.....
Iowa	39327	2942	1487	.....	.....	14865	58622	.....
Missouri	8498	.....	.....	.....	.....	4026	12524	.....
Nebraska	77	.....	.....	.....	.....	711	788	.....
Totals	99272	1218	5782	.....	.....	42645	151917	none	

TABLE VIII

Mileage

A. Mileage of Line Operated (All Tracks) Dec. 31, 1921

Name	Line represented by capital stock		Line of proprietary companies	Line operated under lease	Line operated under contract, etc.	Line operated under trackage rights	Total mileage operated	New line constructed during year	Remarks
	Main line	Branches and spurs							
Rock Island	99272	4218	.....	.....	37523	8593	119606	.....
Chicago & North Western	5782	.....	.....	.....	101	4787	10673	.....
Chicago & Great Western	.....	.....	.....	.....	.....	1124	1124	.....
Chicago & St. Louis	.....	.....	.....	.....	.....	1124	1124	.....
Chicago & Illinois	41420	.....	.....	.....	12489	5515	59424	.....
Illinois	116474	4218	.....	.....	50116	21143	221951	none	

B. Mileage of Line Operated, by States and Territories (Single Track), Dec. 31, 1921

Territory	Line represented by capital stock		Line of proprietary companies	Line operated under lease	Line operated under contract, etc.	Line operated under trackage rights	Total single track mileage operated	Miles of second track	Miles of third tracks	Miles of fourth track	Miles of yard track and sidings	Total mileage operated	New line constructed during year
	Main line	Branches and spurs											
Alabama	11724	581	.....	.....	.....	2114	17719	6150	.....	.....	11775	35644	.....
Arizona	36646	695	.....	.....	2733	1061	11435	1550	1124	1124	14731	59664	.....
California	39329	2942	.....	.....	34790	582	77641	2056	.....	.....	25705	105402	.....
Colorado	8498	.....	.....	.....	.....	1626	10124	361	.....	.....	4421	14909	.....
Connecticut	77	.....	.....	.....	.....	2354	2431	.....	.....	.....	1761	4192	.....
Delaware	.....	.....	.....	.....	.....	556	556	556	.....	.....	1028	2140	.....
Illinois	99272	4218	.....	.....	37523	8593	119606	10673	1124	1124	59424	221951	none

C. Mileage of Line Owned, by States and Territories (Single Track), Dec. 31, 1921

Territory	Line represented by capital stock		Miles of second track	Miles of third track	Miles of fourth track	Miles of yard track and sidings	Total mileage owned	New line constructed during year	Remarks
	Main line	Branches and spurs							
Alabama	11724	581	3800	.....	.....	10256	29361	.....
Arizona	36646	695	495	.....	.....	12986	50622	.....
California	39327	2942	1487	.....	.....	11863	58622	.....
Colorado	8498	.....	.....	.....	.....	1026	12524	.....
Connecticut	77	.....	.....	.....	.....	711	788	.....
Illinois	99272	4218	5782	.....	.....	42645	151917	none	

Abstract of Income Covering Two Years, 1

(This account should be made in accordance with rules prescribed

	State of Iowa		System		8
	1920	1921	1920	1921	1920
1. Operating Income					
2. *Railway Operating Revenues.....	12,383,314.76	12,425,055.93	24,032,434.66	24,228,610.68	1,531.09
3. *Railway Operating Expenses—Total (Taxes excluded).....	13,878,948.06	11,347,296.85	26,436,091.54	21,426,164.76	1,295.86
4. Maintenance of way and structures.....	3,143,530.90	1,973,869.02	5,987,677.90	3,727,094.08	972.99
5. Maintenance of way and structures—Depreciation.....					
6. Maintenance of equipment.....	3,437,659.09	2,705,963.64	6,547,922.05	5,109,447.96	1,064.03
7. Maintenance of equipment—Depreciation.....	99,044.77	93,822.83	188,656.73	177,157.92	30.65
8. Traffic.....	273,347.30	412,601.65	520,661.52	779,081.66	81.60
9. Transportation—Rail and water.....	6,435,704.19	5,688,678.15	12,258,481.18	10,741,461.76	1,992.00
10. Miscellaneous operations.....	122,588.81	100,271.14	233,502.55	189,333.72	37.94
11. General.....	370,763.79	375,958.16	706,216.75	709,890.79	114.76
12. Transportation for investment—Cr.	3,690.82	3,867.71	7,030.14	7,303.13	1.42
13. *Net Revenue from Railway Operations.....	\$1,495,633.30	1,977,759.08	\$2,403,656.87	2,802,115.92	235.22
14. *Railway tax accruals.....	156,589.75	138,418.82	991,316.27	917,894.26	118.51
15. *Uncollectible railway revenues.....	Not divided.	Not divided.	992.15	1,752.64	Not divid
16. *Railway Operating Income**.....	\$1,952,223.05	639,340.26	\$3,394,050.90	1,882,889.02	116.708
17. Revenues from miscellaneous operations.....					
18. Expenses of miscellaneous operations.....					
19. Net revenue from miscellaneous operations.....					
20. Taxes on miscellaneous operating property.....					
21. Miscellaneous operating income.....					
22. Total Operating Income**.....	\$1,952,223.05	639,340.26	\$3,394,050.70	1,882,889.02	116.708
23.					
24.					
25. Gross Income**.....				2,394,062.01	
26.					
27. Deductions from Gross Income			Item 22 above		
28. Interest on funded debt.....			is income of U. S.		
29. Interest on unfunded debt.....			R. R. Administra-	1,681,706.88	
30. Amortization of discount on funded debt.....			tion and Corpora-	38,741.15	
31. Total Deductions from Gross Income.....			tion and items 26	13,510.44	
32. Net Income*.....			to 37 cannot prop-	3,466,356.63	
33.			erly be added	\$1,095,294.62	
34. Disposition of Net Income			thereto or deduct-		
35. Dividend Appropriations of Income.....	Not available.		ed therefrom.		Not availa
36. Total Appropriations of Income.....					
37. Income **Balance Transferred to Profit and Loss.....				\$1,095,294.62	
38.					
39. Railway Operating Revenues.....	12,383,314.76	12,425,055.93	24,032,434.66	24,228,610.68	1,531.09
40. Railway Operating Expenses plus Taxes (Total items 3, 14, 15).....	14,335,537.81	11,785,715.67	27,426,485.36	22,345,721.66	1,414.38
41. Net Revenue. (Taxes deducted.) Subtract item 40 from item 39	\$1,952,223.05	639,340.26	\$3,394,050.70	1,882,889.02	116.708

* Includes operation of water lines, if any.

** Deficit in red.

† Denotes credit.



made in accordance with rules prescribed in the Uniform System of Accounts for Steam Railway Corporations by Interstate Commerce Commission)

System	State of Illinois		State of Minnesota		State of Missouri		State of Kansas		
	1920	1921	1920	1921	1920	1921	1920	1921	
24,032,434.66	21,228,610.68	1,531,091.34	5,020,084.26	4,674,393.58	4,375,503.89	2,005,954.99	1,945,322.95	418,841.81	4
26,436,091.54	21,426,164.76	1,295,864.87	3,638,162.78	5,366,526.58	4,058,115.61	2,326,376.05	1,917,641.75	557,801.53	4
5,987,677.90	3,727,094.08	972,997.66	632,860.57	1,215,498.62	705,911.62	526,915.66	333,574.92	126,340.00	
.....
6,547,922.05	5,109,447.96	1,064,037.33	867,584.26	1,329,228.17	967,729.44	576,217.14	457,295.60	138,161.16	1
188,656.73	177,157.92	30,656.72	30,081.42	38,297.32	33,553.71	16,601.79	15,855.63	3,980.65	
520,664.52	779,081.66	84,607.50	132,288.07	105,694.29	147,558.07	45,818.21	69,727.81	10,985.96	
12,258,484.18	10,741,161.76	1,992,003.68	1,823,900.21	2,488,472.29	2,034,432.86	1,078,746.61	961,360.83	258,654.02	2
233,502.55	189,333.72	37,944.16	32,148.86	47,101.01	35,859.81	20,548.22	16,945.37	4,926.90	
706,216.75	709,890.79	114,760.22	120,539.46	143,362.00	134,453.31	62,147.07	63,535.22	14,901.17	
7,030.14	7,303.13	1,142.40	1,210.07	1,427.42	1,383.21	618.65	653.63	148.33	
+2,403,656.87	2,802,445.92	235,226.47	1,381,921.48	+692,133.00	317,388.28	+320,421.06	27,681.20	+138,959.72	
991,316.27	917,804.26	118,517.79	99,008.22	257,777.77	247,162.50	35,735.36	29,019.92	16,573.62	1
.9922.45	1,752.64	Not divided.	Not divided.	Not divided.	Not divided.	Not divided.	Not divided.	Not divided.	No
+3,394,050.90	1,882,889.02	116,708.68	1,282,913.26	.....	.....	.....	.....	.....	..
.....
.....
.....
.....
.....
-3,394,050.70	1,882,889.02	116,708.68	1,282,913.26	.....	.....	.....	.....	.....	..
.....
.....	2,391,062.01	.....	.....	.....	.....	.....	.....	.....	..
em 22 above	.....	.....	.....	(Not available.)	(Not available.)	(Not available.)	(Not available.)	(Not available.)	..
come of U. S.	.....	.....	.....	.....	.....	.....	.....	.....	..
, Administra-	1,681,706.88	.....	.....	.....	.....	.....	.....	.....	..
and Corpora-	38,741.15	.....	.....	.....	.....	.....	.....	.....	..
and items 26	13,510.44	.....	.....	.....	.....	.....	.....	.....	..
cannot prop-	3,466,356.63	.....	.....	.....	.....	.....	.....	.....	..
r be added	+1,095,294.62	.....	.....	.....	.....	.....	.....	.....	..
to or deduct-	.....	.....	.....	.....	.....	.....	.....	.....	..
erefrom,	.....	Not available	.....	.....	.....	.....	.....	.....	..
.....
.....	+1,095,294.62	.....	.....	.....	.....	.....	.....	.....	..
.....
.....
4,032,434.66	21,228,610.68	1,531,091.34	5,020,084.26	4,674,393.58	4,375,503.89	2,005,954.99	1,945,322.95	418,841.81	456
7,426,485.36	22,345,721.66	1,414,382.66	3,737,171.00	5,624,304.35	4,305,278.11	2,362,111.41	1,946,661.67	574,375.15	478
3,394,050.70	1,882,889.02	116,708.68	1,282,913.26	+949,910.77	70,225.78	+356,156.42	+1,338.72	+155,533.34	+14

Stream Railway Corporations by Interstate Commerce Commission)

[illegible]



Income Account for the Year Ended December 31, 1921—Iowa

14—192

Give the income account of the respondent for the year in accordance with the rules prescribed in the uniform system of accounts for steam railway corporations.

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
1.	I. Operating Income:			
2. (501)	*Railway operating revenues.....			
3. (531)	*Railway operating expenses.....			
4.	*Net revenue **from railway operations.			
5. (532)	*Railway tax accruals.....			
6. (533)	*Uncollectible railway revenues.....			
7.	*Railway operating income**.....			
8. (502)	Revenues from miscellaneous operations..			
9. (534)	Expenses of miscellaneous operations.....			
10.	Net revenue** from miscellaneous operations			
11. (535)	Taxes on miscellaneous operating property.			
12.	Miscellaneous operating income**.....			
13.	Total operating income**.....			

* Includes operation of water lines, if any.

** Deficit, in red.

Data not available for State of Iowa.

Income Account.—Continued.

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
14.	II. Non-operating Income:			
15. (503)	Hire of freight cars—Credit balance.....			
16. (504)	Rent from locomotives.....			
17. (505)	Rent from passenger-train cars.....			
18. (506)	Rent from floating equipment.....			
19. (507)	Rent from work equipment.....			
20. (508)	Joint facility rent income.....			
21. (509)	Income from lease of road.....			
22. (510)	Miscellaneous rent income.....			
23. (511)	Miscellaneous nonoperating physical prop- erty.....			
24. (512)	Separately operated properties—Profit.....			
25. (513)	Dividend income.....			
26. (514)	Income from funded securities.....			
27. (515)	Income from unfunded securities and ac- counts.....			
28. (516)	Income from sinking and other reserve funds.....			
29. (517)	Release of premiums on funded debt.....			
30. (518)	Contributions from other companies.....			
31. (519)	Miscellaneous income.....			
32.	Total non-operating income**.....			
33.	Gross income**.....			

Data not available for State of Iowa.

III. Deductions from Gross Income:

34.		Hire of freight cars—Debit balance.....
35.	(536)	Rent for locomotives.....
36.	(537)	Rent for passenger-train cars.....
37.	(538)	Rent for floating equipment.....
38.	(539)	Rent for work equipment.....
39.	(540)	Joint facility rents.....
40.	(541)	Rent for leased roads.....
41.	(542)	Miscellaneous rents.....
42.	(543)	Miscellaneous tax accruals.....
43.	(544)	Separately operated properties—Loss.....
44.	(545)	Interest on funded debt.....
45.	(546)	Interest on unfunded debt.....
46.	(547)	Amortization of discount on funded debt..
47.	(548)	Maintenance of investment organizations..
48.	(549)	Income transferred to other companies....
49.	(550)	Miscellaneous income charges.....
50.	(551)	Total deductions from gross income
51.		Net income**.....
52.		

**Deficit, in red.

Data not available for State of Iowa.

Income Account.—Continued.

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
53.	IV. Disposition of Net Income:			
54. (552)	Income applied to sinking and other reserve funds			
55. (553)	Dividend appropriations of income			
56. (554)	Income appropriated for investment in physical property			
57. (555)	Stock discount extinguished through income			
58. (556)	Miscellaneous appropriations of income			
59.	Total appropriations of income			
60.	Income** balance transferred to Profit and Loss			

* Deficit, in red.

Income Account for the Year Ended December 31, 1921—*System*

Give the income account of the respondent for the year in accordance with the rules prescribed in the uniform system of accounts for steam railway corporations.

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (increase in black, decrease in red)		Remarks (d)
			(c)	(c)	
1.	I. Operating Income:				
2. (501)	*Railway operating revenues.....	\$21,228,610.68	\$	1,342,114.19	
3. (531)	*Railway operating expenses.....	21,426,164.76		427,424.63	
4.	*Net revenue **from railway operations.....	2,802,445.92		4,620,535.82	
5. (532)	*Railway tax accruals.....	917,804.25		153,108.06	
6. (533)	*Uncollectible railway revenues.....	1,552.64		3,329.10	
7.	*Railway operating income**.....	1,882,889.02		4,464,038.66	
8. (502)	Revenues from miscellaneous operations.....	.....		.....
9. (534)	Expenses of miscellaneous operations.....	.....		.....
10.	Net revenue** from miscellaneous operations.....	.....		.....
11. (535)	Taxes on miscellaneous operating property.....	.....		.....
12.	Miscellaneous operating income**.....	.....		.....
13.	Total operating income**.....	1,882,889.02		4,464,038.66	

*Includes operation of water lines, if any. **Deficit, in red.

Income Account.—Continued

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
II. Non-operating Income:				
14.				
15.	Hire of freight cars—Credit balance.....	25,126.83	14,802.38	
16.	Rent from locomotives.....	1,246.58	45,591.45	
17.	Rent from passenger-train cars.....			
18.	Rent from floating equipment.....			
19.	Rent from work equipment.....	7,046.18	43,884.72	
20.	Joint facility rent income.....	78,201.40	26,007.13	
21.	Income from lease of road.....		492,241.64	
22.	Miscellaneous rent income.....	83,797.73	16,181.66	
23.	Miscellaneous nonoperating physical prop- erty.....	1,153.53	41,570.85	
24.	Separately operated properties—Profit.....			
25.	Dividend income.....	174,412.04	170,268.04	
26.	Income from funded securities.....	49,446.71	2,302.20	
27.	Income from unfunded securities and ac- counts.....	67,354.24	25,531.63	
28.	Income from sinking and other reserve funds.....			
29.	Release of premiums on funded debt.....			
30.	Contributions from other companies.....			
31.	Miscellaneous income.....	387.75	41,702,006.46	
32.	Total non-operating income**.....	488,172.99	41,950,202.08	
33.	Gross income**.....	2,371,062.01	2,513,836.58	

III. Deductions from Gross Income:

34.			
35.	(535)	Hire of freight cars—Debit balance.....	790,943.53
36.	(537)	Rent for locomotives.....	1,715.28
37.	(538)	Rent for passenger-train cars.....	3,197.95
38.	(539)	Rent for floating equipment.....	3,892.17
39.	(540)	Rent for work equipment.....	854,773.42
40.	(541)	Joint facility rents.....	41,475.18
41.	(542)	Rent for leased rails.....	1,659.98
42.	(543)	Miscellaneous rents.....	.....
43.	(544)	Miscellaneous tax accruals.....	.....
44.	(545)	Separately operated properties—Loss.....	1,981,706.89
45.	(546)	Interest on funded debt.....	38,741.15
46.	(547)	Interest on unfunded debt.....	13,510.44
47.	(548)	Amortization of discount on funded debt.....	.....
48.	(549)	Maintenance of investment organizations.....	.....
49.	(550)	Income transferred to other companies.....	4,740.65
50.	(551)	Miscellaneous income charges.....	.....
51.		Total deductions from gross income	3,490,355.63
52.		Net income**.....	41,095,294.62
			1,078,448.98
			430,289.42
			21,912.31
			57.50
			4,484.24
			480,000.00
			201,036.62
			1,208.58
			424,526.43
			634.20
			779,931.65

**Debit, in red.

†Denotes credit.

Income Account.—Continued

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
IV. Disposition of Net Income:				
53.	(532) Income applied to sinking and other reserve funds			
54.	(533) Dividend appropriations of income.....			
55.	(554) Income appropriated for investment in physical property.....			
56.	(555) Stock discount extinguished through income			
57.	(556) Miscellaneous appropriations of income....			
58.	Total appropriations of income.....			
59.	Income** balance transferred to Profit and Loss.....	+1,095,294.62	+1,435,387.60	

** Deficit, in red.

† Denotes credit.

(Here follows table marked side folio page 522.)

[fol. 522]

TABLE XII

Taxes Paid Each State or Jurisdiction—State Separately Federal Taxes

State or jurisdiction	Total actual value			Average actual value per mile of road			Total taxes paid		
	1919	1920	1921	1919	1920	1921	1919	1920	1921
Illinois							102232	118386	136802
Iowa							390239	447231	486791
Minnesota							220872	245011	214953
Missouri							29346	32629	29365
Kansas							14152	15141	19981
Nebraska							12776	15105	16751
U. S. Government

Net available.

Above amounts are stated in dollars only.

TABLE XII

Taxes Paid Each State or Jurisdiction—State Separately Federal Taxes

Average actual value per mile of road				Total taxes paid			Average tax per mile of road			Other taxes		
1921	1919	1920	1921	1919	1920	1921	1919	1920	1921	1919	1920	1921
Net available.				102232	118386	136802	668	774	894	.....	.....	.....
				390239	447231	486799	506	580	632	.....	.....	.....
				220872	245011	214954	551	611	536	.....	.....	.....
				29346	32629	29362	345	384	346	.....	.....	.....
				14152	15141	19986	18379	19764	25956	.....	.....	.....
				12776	15105	16751	.....	.....	.....	.....	.....	.....
				98	26	33	137942	37151	47108

through the counties of Fayette, Bremer, Chickasaw, Howard and Mitchell to a point on the Iowa-Minnesota state line between the stations of Bailey and Taopi.

Also from a point on the last described line at Sumner in Bremer County southwesterly through the County of Bremer to a junction with the Mason City & Fort Dodge Railroad in the town of Waverly, Bremer County.

Also from a point on the Iowa-Minnesota state line near Le Roy, Minnesota, in a generally southwesterly direction through the counties of Howard and Mitchell and crossing the main line of the Chicago Great Western Railroad at McIntire, Iowa, to a point in the city of Osage in Mitchell county.

Also from a point in the City of Oelwein, thence in a generally southwesterly direction through the cities of Waterloo, Marshalltown and Des Moines and through the counties of Fayette, Buchanan, Blackhawk, Grundy, Tama, Marshall, Jasper, Polk, Warren, Madison, Clark, Union, Ringgold and Taylor to a point on the Iowa-Missouri state line at the station of Athelstan. Also from a point on the above described line at the station of Cedar Falls Junction in Blackhawk county, northwesterly in said county to the city of Cedar Falls.

(Here follow tables marked side folios pages 525-527, inclusive.)

[fol. 528] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

NOTICE

To the Above-named Respondents and Ben J. Gibson and Bruce J. Flick, Their Attorneys:

Take notice that within twenty (20) days after the lodging of the record of the above entitled cause with the Clerk of the Supreme Court of the United States, pursuant to appeal therein allowed, the above named appellant will file with the said Clerk the enclosed designation of points to be relied upon and the parts of the record necessary to be printed.

Chicago Great Western Railroad Company, By Ralph M. Shaw, Walter H. Jacobs, Clifford V. Cox, Wm. F. Riley, Donald Evans, Its Solicitors,

Service of the within notice and copy of the designation of points to be relied on and parts of the record to be printed is acknowledged this 22 day of January, 1923.

Ben J. Gibson, Attorney General of Iowa; Bruce J. Flick, Solicitors for Respondents.

Comparative Statement, by States, of Investment Value, Mileage, Earnings, Operating I

[fol. 525]

[fol. 526]

	System		State of Iowa		
	1920	1921	1920	1921	
1. Mileage Operated:					1
2. Total miles of road* operated Dec. 31, 1921.....	1496.06	1496.06	776.41	776.41	2
3. Average miles of road* operated during year ended Dec. 31, 1921.....	1496.06	1496.06	776.41	776.41	3
4. Total mileage of all tracks operated, Dec. 31, 1921.....	2218.15	2219.54	1053.30	1054.02	4
5. Revenue Train Mileage Total.....	5819983	5731981	3055312	3035889	5
6. Revenue Train miles per mile of road.....	3890	3831	3935	3910	6
7. Car Mileage.....					7
8. Freight Car Mileage.....	101027799	111998091	51150353	56740028	8
9. Passenger Car Mileage.....	17812326	17272564	9126160	8835589	9
10. Locomotive Mileage.....	7865808	7641548	3900205	3856097	10
11. Total Car and Locomotive Mileage.....	126705933	136912203	64176718	69431714	11
12. Gross Operating Revenues, total.....	24032434.66	24228610.68	12383314.76	12425055.93	12
13. Per mile of road* operated.....	16063.81	16194.95	15949.46	16003.21	13
14. Total Operating Expenses.....	26436091.54	2426164.76	13878948.06	11347296.85	14
15. Per mile of road* operated.....	17670.47	14321.73	17875.81	14615.08	15
16. Per cent of gross operating revenue.....	110.00	88.43	112.08	91.33	16
17. Taxes Accrued, State and Federal Separately.....					17
State	901397.47	844662.76	456589.75	438418.82	
Federal	89918.80	73141.50	Not allocated	Not allocated	
18. Per mile of road* operated.....	602.51	564.59	588.08	564.67	18
19. Per cent of gross operating revenue.....	60.10	48.89			19
20. Net Revenue from Railway Operations (Taxes deducted) See Table IX.....	4.12	3.79	3.69	3.53	20
21. Operating Ratio.....	‡3394050.70	1882889.02	‡1952223.05	639340.26	21
22. *Per cent of Total Operating Expenses charged to	114.12	92.22	115.77	94.86	22
23. Maintenance.....	47.42	41.24	47.42	41.24	23
24. Depreciation.....	.71	.83	.71	.83	24
25. Investment value (Table VI).....					

[fol. 527]

R

Railway Operating Revenues:

Intrastate Revenues are allocated to the several states on an actual
 Interstate " " " " " " " " on a mileage

Railway Operating Expenses:

Operating Expenses " " " " " " " " in the ratio of
 train mileage of the entire line.

* Main track. † System and Iowa only. ‡ Denotes credit.
 † Denotes credit.

TABLE XIV

Value, Mileage, Earnings, Operating Expenses, Taxes and Train Mileage for the Years Ended Dec. 31, 1920, and Dec. 31, 1921

State of Iowa		[fol. 526]	State of Illinois		State of Minnesota	State of Missouri		State of Kansas	
1920	1921		1920	1921		1920	1921	1920	1921
776.41	776.41	1	.....	.....	.....	.....	.....	.....	.....
776.41	776.41	2	.....	17719	.....	.....	10124	.....	243
		3	.....	17719	.....	.....	10124	.....	243
1053.30	1054.02	4	.....	35644	.....	.....	14909	.....	419
3055312	3035889	5	945832	973204	1181409	1085540	512177	513321	123063
3935	3910	6	5338	5492	2872	2639	5059	5070	5062
.....	.....	7	.....	.....	.....	.....	.....	.....	.....
1150353	56740028	8	24810324	29245748	15021174	15542814	8071949	8411649	1973999
9126160	8835589	9	2762183	2784850	4161916	3924939	1455900	1404304	299974
3900205	3856097	10	1369765	1324723	1720691	1558899	715223	691397	172641
4176718	69431714	11	28882272	33355327	20903781	21026682	10243072	10507350	2446614
1314.76	12425055.93	12	453109134	502008426	467439358	437550389	200595499	194532295	41884181
5949.46	16003.21	13	2557198	2833765	1136354	1063694	1981386	1921496	1722918
4948.06	11347296.85	14	429586487	363817278	536652658	405811561	232637605	191764175	55780153
7875.81	14615.08	15	2424444	2073255	1304613	986536	2297883	1894154	2294533
112.08	91.33	16	9481	7247	11481	9275	11597	9858	13318
5589.75	438418.82								
Allocated	Not allocated	17	11851779	3900822	25777777	24716250	3573536	2901992	1657362
			Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated
588.08	564.67	18	66887	55877	62666	60086	35298	28664	68176
.....	.....	19	262	197	551	565	178	149	396
3.69	3.53	20	11670868	128291326	494991077	7022578	435615642	4133872	415553334
223.05	639340.26								
115.77	94.86	21	9743	7444	12032	9840	11775	10007	13714
		22	.....	.....	.....	.....	.....	.....	.....
47.42	41.24	23	.....	.....	.....	.....	.....	.....	.....
.71	.83	24	.....	.....	.....	.....	.....	.....	.....
.....								

REMARKS

d to the several states on an actual basis.

" " " " on a mileage haul prorata.

" " " " in the ratio of the transportation service train mileage in each State to the transportation service

e.

y. ‡ Denotes credit.

XIV

Expenses, Taxes and Train Mileage for the Years Ended Dec. 31, 1920, and Dec. 31, 1921

State of Illinois		State of Minnesota		State of Missouri		State of Kansas		State of Nebraska	
1920	1921	1920	1921	1920	1921	1920	1921	1920	1921
.....
.....	17719	.....	41135	.....	10124	.....	2431	.....	556
.....	17719	.....	41135	.....	10124	.....	2431	.....	556
.....	35644	.....	59664	.....	14909	.....	4192	.....	2140
945832	973204	1181409	1085540	512177	513321	123063	121837	2190	2190
5338	5492	2872	2639	5059	5070	5062	5012	394	394
.....
24810324	29245748	15021174	15542814	8071949	8411649	1973999	2057852	.....	.....
2762183	2784850	4161916	3924939	1455900	1404304	299974	316632	6193	6220
1369765	1324723	1720691	1558899	715223	691397	172641	168842	47283	41590
28882272	33355321	20903781	21026682	10243072	10507350	2446614	2543326	53176	47810
453109134	502008426	467439358	437550389	200595499	194532295	41884181	45913862	780369	43827
2557198	2833165	1136354	1063694	1981386	1921496	1722918	1888682	140354	47883
429586487	363816278	536652658	405811561	232637605	191764175	55780153	45637731	1057445	857046
2424444	2053255	1304613	986536	2297883	1894154	2294533	1877323	190188	154145
9481	7247	11481	9275	11597	9858	13318	9940	13551	.....
.....
11851779	9900822	25777777	24716250	3573536	2901992	1657362	1705182	1620318	1400148
Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated
66887	55877	62666	60086	35298	28664	68176	70143	291424	251825
262	197	551	565	178	149	396	371	20763	.....
11670868	128291326	494991077	7022578	435615642	4133872	415533334	4429051	41897394	42301621
.....
9743	7444	12032	9840	11775	10007	13714	10311	34314	.....
.....
.....
.....

MARKS

asis.
and prorate.

the transportation service train mileage in each State to the transportation service

[fol. 529] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

To the Clerk of the above court:

Comes now the above named appellant, Chicago Great Western Railroad Company, and for the purpose of designating the parts of the record necessary to be printed, attaches hereto the points upon which it will rely upon the submission of the appeal and the parts of the record necessary to be printed for consideration thereof.

[fol. 530]

IN SUPREME COURT OF U. S.

STATEMENT OF POINTS TO BE RELIED UPON AND DESIGNATION OF RECORD—Filed Jan. 25, 1923

1. The said court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to complainant the relief prayed for.

2. The said court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction restraining the defendants from certifying an illegal assessment of its property for the purpose of taxation.

3. The said court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction as prayed for, for the reason that the use or certification of the assessment made by the Executive Council of the State of Iowa of the property of complainant for the purpose of taxation results in an illegal discrimination as against the complainant, and is therefore illegal and void.

4. The said court, constituted under Section 266 of the Judicial Code, erred in denying to complainant the temporary injunction prayed for, for the reason that under the evidence adduced it was clearly shown that in all reasonable probability the complainant could and would sustain the allegation or the allegations of its bill upon final hearing.

5. The said court, constituted under Section 266 of the Judicial Code, in denying to complainant the temporary injunction prayed for under the evidence did not indulge a reasonable discretion.

[fol. 531] 6. That the denial by the said court, so constituted under Section 266 of the Judicial Code, of a temporary injunction to complainant as prayed for, constituted an abuse of discretion.

7. For the reason that the evidence adduced by complainant fully met the burden of proof imposed upon it by law.

8. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for

the reason that the purported assessment if certified and utilized by defendants in the further steps provided by the statutes of the State of Iowa for the levying of taxes, will deprive complainant of its property without due process of law, and will deny to complainant the equal protection of the law, all contrary to and in violation of the Fourteenth Amendment to the Constitution of the United States.

9. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for the reason that the purported assessment, if certified and utilized by defendants in the further steps provided by the statutes of the State, for the levying of taxes, will impose upon this complainant an undue and discriminatory portion of the tax burdens of the State contrary to the provisions of the Constitution of the State of Iowa, and particularly Section 6 of Article 1, and Section 2 of Article 8, of said Constitution, and contrary to the Fourteenth Amendment to the Constitution of the United States.

10. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that complainant in order to avail itself of its rights under the law will be compelled to resort to many actions at [fol. 532] law or in equity, and will be subjected to a multiplicity of suits.

11. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that the actions of defendants in certifying or utilizing as the assessed value of complainant's property the sum of Twenty-nine Thousand Dollars per mile is violative of the provisions of Article VIII, Section 2 of the Constitution of the State of Iowa, and of Sections 1305, 1334, 1335, and 1336, of the Code of Iowa of 1897, as amended.

12. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed, for the reason that the act of defendants in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$29,000.00 per mile, denies to this complainant the equal protection of the laws and is therefore contrary to and in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

13. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed, for the reason that by so doing the act of the defendants, so constituting the Executive Council of the State of Iowa, in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$29,000.00 per mile is construed to be in accordance with Sections 1305, 1334, 1335, 1336, 1378, 1379, and 1382, of the Code of Iowa, as amended, and said sections when so construed are unconstitutional and void and contrary to and in contravention of the Fourteenth Amendment to [fol. 533] the United States Constitution.

14. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction

as prayed, for the reason that the act of said defendants, acting as the Executive Council of the State of Iowa in certifying or utilizing as the value of complainant's property for taxation purposes the sum of \$29,000.00 per mile while other railroads are assessed as a lesser proportion of their actual value, constitutes a discrimination against this complainant, and denies to it the equal protection of the laws and takes from it its property without due process of law; for the reason that complainant as a member of the class of persons owning a railroad property in the State of Iowa is discriminated against because the value of complainant's property for taxation purposes is fixed at a higher percentage of its actual value than is other property of the same class.

15. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant temporary injunction as prayed, for the reason that the act of the defendants, acting as the Executive Council of the State of Iowa, in certifying or utilizing as the value of complainant's property for the purpose of taxation the sum of \$29,000.00 per mile, constitutes a discrimination against this complainant, for the reason that other railroads in the State of Iowa are assessed at a lesser proportion of the actual value of their respective properties, all as was shown by evidence adduced, and said court by so denying said injunction denies to this complainant the equal protection of the law and takes from it its property without due process of law.

16. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant the temporary injunction as prayed, for the reason that the evidence adduced upon the trial shows that the act of said defendants, acting as the Executive Council of the State of Iowa, in certifying or utilizing as the value of complainant's property for taxation purposes the sum of \$29,000.00 per mile constitutes a discrimination against this complainant because of the fact that other railroads are assessed — a lesser proportion of their actual value, and by so denying said injunction it denies to this complainant the equal protection of the laws and takes from it its property without due process of law, all contrary to the Fourteenth Amendment to the Constitution of the United States. [fol. 534] In printing the record, the appellant directs that all of the same as certified by the Clerk of the District Court, in and for the Southern District of Iowa, be printed except Exhibits 1, 2 and 3 and the parts of said exhibits as follows:

From Exhibit 1, a report to the special tax commission of the state of Iowa, include in the printed record the title page, letter of transmittal which immediately precedes the preface, the preface, Chapter 2 of said exhibit, being pages 17 to 40, inclusive, and that part of Chapter 4 commencing with page 59, to and including that part of page 63 ending with the heading "Taxation of Moneys and Credits."

From Exhibit 2, a bulletin of census of the United States of 1920, relative to agricultural statistics of Iowa and its counties, print only pages 1 and 3, and the first column of printed matter and the first

column of figures under the heading "The State" on page 12 thereof.

From Exhibit 3, which is bulletin 874 of the United States Department of Agriculture, relative to farm lands in Iowa, print therefrom the title page and that part thereof commencing with page 1, down to and including the first paragraph on page 5.

Chicago Great Western Railroad Company, By Ralph M. Shaw, Walter H. Jacobs, Clifford V. Cox, Wm. F. Riley, Donald Evans, Its Solicitors.

[fol. 536] [File endorsement omitted]

Endorsed on cover: File No. 29335. S. Iowa, D. C. U. S. Term No. 192. Chicago, Great Western Railroad Company, appellant, vs. Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of the State of Iowa, et al. Filed January 8th, 1923. File No. 29335.

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